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History of the Memphis Service Center

**YESTERDAY, TODAY AND TOMORROW
1972-1992**



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History of the Memphis Service Center

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By Shelley L. Davis

TREASURY DEPARTMENT

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Published as part of a continuing series of historical studies to preserve and disseminate the history of the Internal Revenue Service and tax administration in the United States.

Department of the Treasury
Internal Revenue Service

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Foreword

The Memphis Service Center has been an integral part of the Memphis community and a significant part of the IRS tax administration organization for 20 years.

The first processing of tax returns began on January 3, 1972 with a staff of 558 employees. Since that beginning, many changes have occurred and the pace of change continues to accelerate. In the first year of operation, the Memphis Service Center processed almost six million returns from three states and added the processing of business returns in July 1972. Today the Center processes 18 million returns from six states.

When the Memphis Service Center began operating it quickly established a well deserved reputation as an effective center and continues to live up to that reputation. Now this proud reputation is upheld by 4,500 dedicated seasonal and permanent employees who continue to produce a quality product.

Over the years, the Memphis Service Center has been a pioneer for the IRS. In 1984 and 1985 we piloted the replacement of service center computer equipment and we were a leader in surviving the 1985 filing season. Employee Plan Processing moved to Memphis in 1989 and the national responsibility for those handbooks was transferred here in 1991.



Director Richard Marsh reviews a draft copy of the Memphis Service Center history with Jeanette Ruddell who has served as secretary to each of the four directors of the Center over the past 20 years.

In 1992, Electronic Filing expanded to Memphis and we are the pilot for the Integrated Collection System computer operation. We are also the pilot for Tax System Modernization projects that relate to increasing file access such as on-line entity data and returns transaction data. There have been many changes and the future will hold even more dramatic change.

As we celebrate our 20th anniversary, we stand on the threshold of a new era, with plans underway for a new facility slated to open in 1994. We look forward to continued growth and excellence. Employees of Memphis Service Center can be proud of their organization, their expertise, and their contribution to the overall success of the Internal Revenue Service mission.

A handwritten signature in cursive script, reading "Richard Marsh".

Richard Marsh
Director,
Memphis Service Center

Acknowledgments

This history of the Memphis Service Center is the first in the IRS Historical Studies series to document the activities of a service center. This is an important record as the IRS History and Archival Services Program begins to trace the evolution of automated tax processing efforts over the past several decades. In fact, it was the 20th anniversary of the Memphis Service Center that inspired the idea to prepare this history.

Because the history of the Memphis Service Center encompasses just over 20 years, many of the original employees of the Center are still hard at work processing tax returns through the pipeline. The recollections and observations of these employees were of inestimable value in preparing this history.

Special thanks are due to several key individuals at the Memphis Service Center who helped turn the idea to write a history into this document. Public Affairs Officer Jeanne Palmer was the first to contact this office with a request for assistance in preparing this history. After receiving the endorsement of Service Center Director Richard Marsh and Assistant Director John Stocker, work began in earnest. Secretary to the Director Jeanette Ruddell was of vast assistance in locating documents, photos, and setting up interviews with employees of the Center.

To compile this history I was able to speak with each of the four directors and several assistant directors. Many thanks are due to Claude Kyle, James Hallman, Ray Keenan, and Dick Marsh for their detailed and candid remarks about their experiences at the helm of the Memphis Service Center. Hank Philcox offered many insights into his experiences at Memphis as well as a perspective on the future from his current position of Chief Information Officer for the IRS.

Additional thanks are due to the following employees who discussed their experiences at the Center with me: Lois Armstrong, Juanelle Briggs, Anna DeRosa, Pat Donnelly, Mark Dorfman, Evelyn Eason, Barbara Fant, Dorothy Hall, Judy Harper, Tom Harthun, Janet Hayes, Bob Holton, Linda Jordan, Gloria Lanoux, Lynda Lyons, Jean Massey, Buddie McGlaun, Thelma McIlvain, Gail McKinney, Christean Outlaw, Brenda Palm, Darrell Riffe, Paul Sandell, Helen Sharp, George Taylor, Lupe Thrash, Dottie Walsh, Donna Wess, Susan Wilkinson, and Bobbie Wilson.



Shelley L. Davis
IRS Historian



A Service Center Comes to Memphis

Before the advent of computer systems to process tax returns, the Internal Revenue Service (IRS) relied on its district offices scattered throughout the country to receive tax returns, issue refunds, and correspond with taxpayers. When the IRS began to explore the new concepts of computerized processing in the late 1950s, it also examined the possibility of creating a new type of organization dedicated solely to processing tax returns.

Initial testing of automated equipment to process returns began in 1955 with the creation of the Midwest Service Center in Kansas City. Carved out of the Kansas City District, this office used tabulating equipment and IBM 650 computers to process 1040A individual tax returns from the Omaha Regional Office. Marking the first time the IRS had automated any major processing operation, the Midwest Service Center processed over one million 1040As in its first year.

The IRS soon set up a second centralized processing operation to serve the eastern United States. Based in Lawrence, Massachusetts, this organization was designated as Northeast Service Center. As the benefits of automation and central-

ized processing of tax returns became apparent, the IRS opened additional service centers around the country. By 1956, a third center was operating in Ogden, Utah.

While these three service centers began to use automated equipment to process returns, the IRS National Office in Washington, D.C. developed plans to implement a massive, centralized automated data processing system capable of handling all tax returns throughout the nation. The plan envisioned a centralized computer facility with a "master file" of information compiled from tax returns processed at the new service centers.

By March 1959, Congress approved the IRS proposal to install a nationwide automated data processing system. Two months later, Atlanta was selected as the region to test the use of automated equipment for large-scale centralized tax return processing. In 1960, the Atlanta Service Center opened as the first IRS field organization established for the sole purpose of using automated techniques to process tax returns.

The new service centers would use the most advanced automated equipment available to transmit information from tax returns to the central computer facility, designated the National Computer Center.

Key punch operators such as these in the Ogden, Utah service center, were the forerunners of today's data transcribers in modern service centers.

When this facility opened in 1961 in Martinsburg, West Virginia, most automated systems used punch card equipment as the link between paper documents and reels of magnetic tape. Key punch equipment remained the mainstay of automated IRS tax processing operations until the advent of the Direct Data Entry System in the late 1960s. Long-time IRS employee Tom Harthun recalled, "When I started with Internal Revenue everything was done by cards and those noisy key punch machines. With 100 of those machines going at once, it was really noisy."

The IRS continued to expand its service center operations over the next three years. The establishment of the Atlanta Service Center was followed by the opening of centers in Philadelphia, Austin, and Cincinnati. By 1963, seven service centers were in operation around the country.

Through the 1960s, the continued growth of the tax system, combined with the success of centralized and automated tax processing, led the IRS to realize that it needed even more service centers to handle its ever increasing workload.

After determining that the total number of service centers should be increased to ten, the IRS began to scout for suitable locations for the three new organizations. The IRS contracted with the Fantus Company of Chicago to study potential sites and make recommendations. Taking into consideration the availability of personnel and housing, construction costs, and other factors, the contractor placed Memphis on its

list of recommended sites in 1969. In the end, Fresno, California; Brookhaven, New York; and Memphis were selected as locations for the three new service centers.

The city of Memphis had been receptive to the idea of housing a major IRS installation for some time. Support from the city and its leadership was strong for establishment of the new service center. As early as 1956, Memphis Mayor Edmund Orgill had asked the IRS Commissioner to consider Memphis as a site for one of the first service centers. Thus, 13 years after announcing its willingness to support a large IRS facility, Memphis received word that a service center would indeed be located in the city.

Following the selection of Memphis, representatives from the IRS, the General Services Administration (GSA), the Mayor's office, and the local Chamber of Commerce surveyed potential sites throughout the metropolitan area. Land adjacent to the Memphis airport appeared to meet the needs of the new service center, envisioned to be a multi-building structure of more than 500,000 square feet.

The land on which the center would be built had been originally owned by the federal government and used as a military installation in World War II and the Korean War. When it was no longer practical to maintain the buildings, the government ceded the land to Memphis for airport use. Now some of this land would be leased back to the federal government for IRS use, with the Memphis Airport Authority serving as the landlord.

Construction costs for the building were estimated at \$14 million and would be borne through issuing bonds to be repaid through government rental payments on a 20-year lease with two five-year renewal options. The 54 acres surrounding the location were valued at \$35,000 an acre in 1970. The building would be air conditioned and surrounded by a perimeter security system.

Not wasting any time, the official groundbreaking for the new building took place on September 22, 1970. The guest of honor was Vice President Spiro Agnew. Other dignitaries present for the ceremonies included Senator Albert Gore, Congressman Dan Kuykendall, IRS Commissioner Randolph Thrower, and Chairman of the Airport Authority Ned Cook.

The new Memphis Service

Center was located on Democrat Road, an address which prompted an interesting response from Vice President Agnew. Noting that this new federal facility would be built during a Republican administration with an address on "Democrat Road," Vice President Agnew reputedly commented that he felt that perhaps "Republican Road" might be more appropriate. Shortly thereafter, one of the nearby roads intersecting with Democrat Road was renamed Republican Road, creating the intersection of Democrat and Republican Roads.

Even before the groundbreaking, IRS officials selected the first director for the Memphis Service Center. The new director, Claude A. Kyle, came to Memphis with a strong background in IRS service center operations, having served as both

Ground is cleared on land near the Memphis International Airport in preparation for the construction of the new IRS service center.





The intersection of Democrat and Republican roads was created as a result of the opening of the Memphis Service Center.

director and assistant director of the Atlanta Service Center. Kyle was a career executive who had joined the IRS in 1948 as a revenue agent in Birmingham, Alabama. He entered the Executive Leadership and Development Program in 1961, and continued to rise through the ranks, serving as assistant regional commissioner for data processing in the Southeast Region between stints at the Atlanta Service Center.

Kyle recalled that while serving as director in Atlanta in 1969, "I was called to Washington by the Director of the Collection Activity [Robert Jack] and I was involved in working on planning for the new service centers. I talked with [Jack] about taking one of these new jobs and came back to Atlanta."

Shortly thereafter, Kyle received word from the Southeast Regional Commissioner that he had been

selected to be the first director of the new Memphis Service Center. "I accepted immediately," Kyle remembered, explaining that he felt the position was "new, exciting, and gave me an opportunity that few people have of building an organization literally from the ground up. I was happy to accept the position and I was ready for a change."

Officially appointed Director on July 6, 1970, Kyle immediately began to recruit personnel for the new center. After selecting Larry Mills, an associate from his days in Atlanta, to serve as Chief of the Administration Division, Kyle broadened his search to IRS offices throughout the country. Paul Sandell remembered being the sixth person to come on board as one of three branch chiefs in the resources management function. Sandell recalled that this first small cadre of employees had the job of putting together a "dog and pony show" to take to other service centers and IRS offices as a recruiting pitch.

During this period, recruitment for all three new service centers was underway, making it imperative that Memphis present convincing arguments to encourage IRS employees to transfer to its offices. Sandell recalled, "Frankly, we had a very good dog and pony show. We had a tape presentation and presentations by people who had already agreed to transfer in. We talked about what we were going to do with Memphis, about the opportunities people had. We were strongly, actively encouraging good people to come down here."

Kyle echoed these sentiments, stating, "We were looking for good, hard-driving individuals we thought could take on this very tremendous task. We were trying to get people who were familiar with service center operations and who had previous experience." Sandell explained that the recruiting effort was successful in part because "It was a once in a lifetime opportunity to build something from nothing and a lot of people came here with that kind of feeling."

Tom Harthun, employed by the Cincinnati Service Center since 1966, accepted a position as a manager in the Adjustment Branch of the new Center in September 1971. He recalled, "I thought there was a better chance for advancement. The idea of starting some place new, starting up a new operation was exciting."

Recruitment of key personnel around the country continued into 1971 as construction of the main building progressed in anticipation of a January 1972 opening. By the spring of 1971, about 50 employees were working out of temporary offices in a downtown federal building. As time went by, IRS employees could be found in nooks and crannies throughout the building, including the judge's chambers.

Later, Curt Eldred, Chief of the Facilities Branch, acquired space in a commercial building occupied by the FAA on Democrat Road—closer to the planned location of the Center. Sandell recalled, "This was the first real location to which we brought people. As we started to add people to our organization we added

desks in lines. We sort of had an organizational chart on the floor by the placement of desks."

In May 1971, Jeanette Ruddell arrived from Atlanta to serve as secretary to the Chief of the Program Analysis Staff who had also recently transferred from Atlanta. Eventually, Ruddell became secretary to the Director and remained in this position for more than 20 years. During her first months on the job, Ruddell made arrangements to move the nearly 500 personnel who transferred to the Memphis Service Center from locations around the country.

She remembered, "Moving 500 people was an experience. I did most of the travel vouchers. The first one I did was mine and I messed it up. After that, I learned a lot. It was all trial and error... but that's how I got to know the people so well."

The first assistant director arrived in late 1971. Fredric F. Perdue came to the Memphis Service Center after graduating from the Executive Selection and Development Program. Previously, Perdue served as a revenue officer in Miami, a computer programmer, and as a manager in the Atlanta Service Center.

As the recruiting effort for experienced IRS managers continued, the Center began to look to the local Memphis community to hire the thousands of workers needed for the tax return processing pipeline and support functions. Kyle explained, "We had already recruited a large number of people and began getting a lot of our clerical personnel in the fall of 1971. We had very good luck.

We got excellent people.” Ruddell described this period by stating, “We weren’t processing returns—we were processing people.”

Although the new building neared completion as 1971 drew to a close, many of the start-up operations continued in facilities in the surrounding area. One of the most important activities in the fall of 1971 was the establishment of training classes for the hundreds of new employees. Training in tax processing methods, computer operations, and personnel and administrative regulations was essential before beginning operations on January 1, 1972.

George Taylor recalled being hired as one of four Educational Development Specialists in July 1971. Taylor was responsible for training for the Processing Division, with Eldon Ladd taking on direct data entry training, Charles Morris in charge of taxpayer service training, and Lee Monks responsible for cross-functional training. “We started gearing up for the training in August 1971 in a small building across the railroad tracks on Democrat Road. In August we developed a training package on interviewing techniques and gave an interviewing skills workshop,” Taylor recalled.

Taylor was one of a handful of managers who came to the Service Center from outside the IRS. Having retired from the Air Force as a training specialist, Taylor had the qualifications the Center needed. Still, he described his initial learning curve as steep, “It took me a while to learn what ARC, IMF, BMF, NMF, and all the other jargon meant.”

Because the new building was not yet open, the training specialists had to search out classroom space. One of the main areas where new employees experienced their initial training was a World War II-era hangar that belonged to the National Guard. Paul Sandell described the hangar as “an unbelievable kind of experience. It was rat infested, cold in the winter, hot in the summer. But we still got everything done we needed to do.”

Gloria Lanoux, a Memphis employee from these early days, remembered going through training in the unheated hangar, “We were required to absorb all this foreign language with our coats on.” Despite the poor conditions, both the trainers and the trainees persevered through the end of 1971 to prepare for the opening of the Center. “We never had any doubt that we were going to be able to do it. It’s just that we had to do it with less than ideal physical conditions,” said Taylor.

Many employees recall the challenges of this period with fond memories of hard work and a poor environment, but with a sense of mission and a job to be done. Sandell said, “We had a lot of fun with our training classes,” explaining that it was Director Kyle’s desire to establish a “Memphis way” of doing things. “He insisted that he was not going to listen to squabbles over ‘this is the way we did it in Atlanta... Cincinnati... Austin...’ He wanted to invent the way we were going to do it in Memphis,” Sandell explained.

This meant that training materials had to be rewritten or tailored to meet the specific needs of Memphis.

Because there was not much time to develop classroom materials, the trainers often had to improvise. Sandell recalled the first class taught for the Center was on interviewing techniques for new managers, many of whom had never selected employees yet were about to embark on hiring hundreds of people.

"We didn't think there was any [training course] in the Service that was appropriate for this group of people, so the course we were teaching was locally developed. It was a 12-hour course and we had written about the first four hours when we started teaching the class. The people who were helping write the material were outside the room finishing the material and they'd edit it and highlight it and hand it to me. I was teaching it flat cold. That night we went home and wrote the last four hours and the final test and delivered it the next day. It became a very successful class and we taught it for a couple of years."

Eldon Ladd described these early experiences as a time when "everyone pulled together, learned together, and at times, even found the experience to be enjoyable."

On November 15, 1971, the new building for the Memphis Service Center was ready for employees to begin moving in. Built at a cost of \$15 million, the Center consisted of five interconnected buildings situated on 12.5 acres.

Tom Harthun recalled that when the employees first moved in, "We all wondered how we were ever going to fill up this huge building... Today we don't have enough room—it's amazing." After begin-

ning a new job with the Center in its opening days, Judy Harper recalled, "I remember getting lost in the building one day after lunch. I was so embarrassed I had to ask somebody where to go." Another employee said, "It was scary to me. I didn't know if I was going to be able to find my car. I didn't know if I'd know what door to go out of."

It was during the last few months of 1971 that the Memphis Service Center hired and trained the bulk of local personnel who would be involved in processing tax returns. Recruiting enough qualified personnel was not difficult since jobs in Memphis were scarce and the IRS was considered an excellent employer. Bob Holton remembered, "Back then, in the morning they were lined up outside the front door to get jobs." Another long-time employee, Chris Outlaw, remembered that there were "some highly qualified people... with college degrees. Memphis has never had the problems [recruiting] they've had in other areas, even getting clerical people and data transcribers."

The lure of opportunities for advancement as well as the attractiveness of the Memphis area helped swell the personnel roster in the early days of the Center. At only 19 years old, Lynda Lyons transferred to Memphis from the Cincinnati Service Center thinking, "I might as well go for the big bucks—a Grade 5—so I transferred here." Barbara Fant also transferred from Cincinnati, recalling, "In Cincinnati the positions were few; you were hoping people would

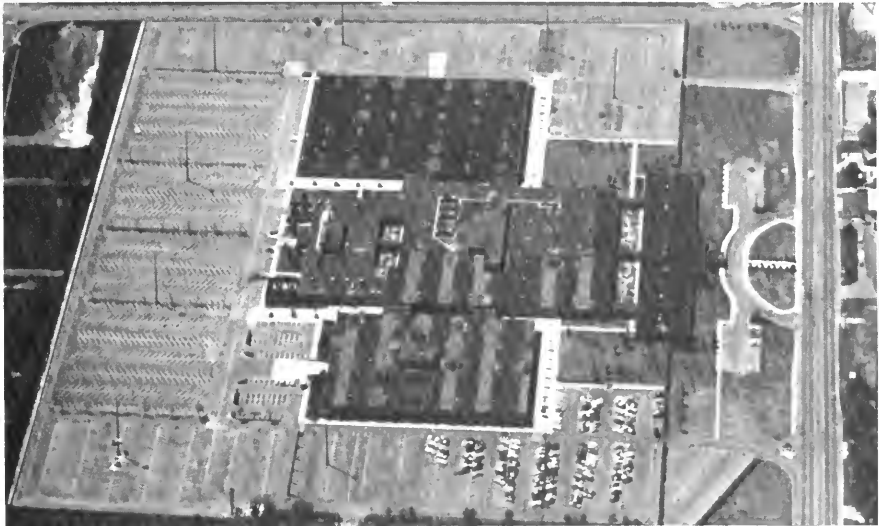
retire. There were no opportunities. I was looking for opportunities.”

Other employees share vivid memories of their entry into civil service with the Memphis Service Center. Thelma Mellvain said, “I remember my starting salary— it was \$5,432 as a GS-2 clerk. I thought that was so great.” Another employee recalled, “I thought my first check was a million dollars. I was so proud of that.”

Many of the new personnel saw the part-time and seasonal employment opportunities with the Service Center as a perfect match for their lifestyles. Helen Sharp recalled, “I came to make a little extra money. My kids were in high school and I was just going to work part-time but I put in for a permanent position in 1980 and I got that. You just get used to the money and you stay.”

The Center opened with an organizational structure of five divisions and two staff functions. The divisions included Data Conversion, charged with converting information from tax returns onto magnetic tapes for transfer to the IRS master file; Taxpayer Service, responsible for a variety of services to taxpayers; Accounting and Research, which maintained accounting systems and document files; Administration, responsible for personnel, facilities, training, and other support functions; and Examination, which received, controlled, and prepared tax returns for computer processing. The staff functions included the Audit Staff and the Program Analysis Staff.

The Memphis Service Center Opens its Doors, 1972-1975



An aerial view of the new Memphis Service Center shows the sprawling complex to which thousands of employees went to work in 1972.

With the organizational structure established and employees hired and trained by the end of 1971, the new Memphis Service Center was ready to begin receiving tax returns as the new year dawned. On January 3, 1972, the Service Center opened its doors and began processing individual 1040 tax returns from three IRS districts—Nashville, Indianapolis, and Richmond.

Although it opened with limited operations, by the end of its first year, Memphis added three more districts as well as business tax returns from all six districts to its processing workload. The three additional districts included

Louisville, Parkersburg, and Greensboro. The Center began processing business tax returns on July 1, 1972, while the individual returns from the three additional districts were added in the next tax filing season.

Despite the challenge of beginning the complex processing operations in January 1972, the advance preparations by Claude Kyle and his staff in recruiting, training, and logistical arrangements paid off. Almost universally, memories of the start-up year at Memphis emphasize positive results. Paul Sandell stated, "My recollection is that during that first processing year not only were

we the best of the three new centers, but that we were competitive with the existing, more experienced centers. By 1973, we were one of the best centers in the country and have been ever since."

Sandell's memories are echoed by others, including many in other parts of the IRS during this period. A future assistant director of the Center, Henry Philcox appraised the situation years later by saying, "Claude Kyle assembled a really outstanding staff. The Center from the very beginning hit the ground running."

Raymond Keenan, who would later become director of the Center, but was working as Chief of the Collection Division in the Brooklyn District at the time Memphis opened, recalled, "Memphis from its inception, in my opinion, got off on

a very good footing. It quickly earned itself a reputation for good taxpayer service."

Employees share many interesting memories from this period. Darrell Riffe, hired from the National Computer Center in West Virginia, recalled, "When I came here I didn't even know where the pipeline was—I thought it was under the floor." Very quickly, new employees came to understand the full meaning of the "pipeline"—that critical set of procedures and steps by which tax returns enter the Center, work their way through until they are fully processed and ready for storage.

Service center operations involved handling and converting a massive amount of information from paper to computer tapes and magnetic disks. Once computerized, tax data is

Employees sort incoming tax returns at specially designed "Tingle Tables."



checked for accuracy and the magnetic tapes are sent to the National Computer Center where they become part of the master file.

Three major operations make up the basic “pipeline” operation in every service center: Receipt and Control; Document Perfection; and Data Conversion. The pipeline is somewhat similar to an assembly line except that not all documents move in the same direction nor end up in the same location.

The Receipt and Control Branch handles incoming mail— opening, sorting, and batching documents, primarily tax returns. Workers at “Tingle Tables” separate tax returns by type to facilitate further pipeline operations.

Document perfection is the second step in the pipeline, responsible for marking returns (code and edit) to ease the data transcription process, checking for math or other simple errors (error correction), and identifying and sorting returns that have problems which prevent them from being accepted into the master file (rejects and unpostables).

The third pipeline function is Data Conversion. Here, rows and rows of data transcribers work at computer terminals transferring data from tax returns to the computer system. This branch ranges from one of the largest in terms of personnel at the peak of the filing season to one of the smallest during the rest of the year.

Lupe Thrash, hired as a data transcriber for the Memphis Service Center in December 1971, described her early processing experiences, “Back then, all we tran-

scribed were 1040s and we only did pages one and two. We didn’t have all the extra schedules we do today. Just about all the programs were done on key punch cards and you had a ruler to measure the cards to estimate the amount of work.”

By February 25, 1972, the Memphis Service Center had processed its one millionth 1040. Barely a month later, on March 24, the Center noted that over two million returns had been processed and the data sent to the National Computer Center. By the end of the first filing season, the Memphis Service Center processed just under six million individual 1040 tax returns. This number would more than double the next year.

At the height of its first filing season, on April 23, 1972, the Center hosted its first open house to allow families and friends of its new employees to see the facility and equipment used to process tax returns. Visitors toured the building, viewed a film explaining service center operations, and tried the cafeteria.

As the frantic days of the first filing season drew to a close, the Memphis Service Center took a brief respite to allow for the official dedication of the new organization. On June 26, 1972, nearly 1,500 employees and friends attended the ceremonies. With guests of honor including Senator Howard Baker, Congressman Dan H. Kuykendall, IRS Commissioner Johnnie Walters, and representatives of Memphis city government, the ceremonies featured a U.S. Marine Corps Color Guard and the Memphis Youth Concert Band.



Commissioner Johnnie Walters addresses Memphis Service Center employees during dedication ceremonies in June 1972.

In addressing the crowd, Senator Baker stated, "It is only appropriate that the largest city in the Southeast should be chosen to have one of the nation's biggest government facilities outside the nation's capital." Although Secretary of the Treasury George P. Schultz had been scheduled to speak, he had to cancel at the last minute to attend a meeting with President Nixon on the administration's price stabilization program. Commissioner Walters delivered Shultz's address.

Employees felt a strong degree of camaraderie throughout these early days. The newness of the Center combined with the excitement of beginning a new venture brought the employees together in both work and social situations. Lynda Lyons recalled, "When we first started there was such a small nucleus of people, we all came to be a happy family."

Mark Dorfman remembered starting work at the Center around the

holidays, stating, "For those of us who came from other service centers and were away from our families, here we were stuck in what was at that time a strange city. A lot of people just banded together and we had some of the biggest Christmas parties."

Other employees remembered the fairly regular working hours of the early days at the Center as contributing to the sense of closeness. Long-time employee Dottie Walsh said, "We had one shift. Everybody came in at the same time, we took breaks at the same time, and went home at the same time. Now we have all these staggered shifts... people just go in different directions."

In addition to working together to process thousands of tax returns for the first time, the new employees of the Memphis Service Center banded together after hours. In its first year, the Center fielded several sports teams, including men's and



Long-time SCAN editor Jack Dale works on an issue of the newsletter that has been a primary source of information for Memphis employees for 20 years.

women's softball and basketball, bowling, golf, bicycling, and tennis.

The generosity of Memphis Service Center employees that has persisted over the years was evident in this early period as nearly 400 employees volunteered to donate blood to the Community Blood Plan of Memphis. Employee initiative resulted in the opening of a credit union on the Service Center grounds. By May 1972, the credit union boasted over 350 members and \$33,000 in shares.

The employee newsletter that has been a hallmark of the Center over the years also began in this first year of operation. In April 1972, the newsletter offered a \$25 prize in a contest to name the paper. In July, the paper announced that Mary E. Sullivan, a tax examiner in the Taxpayer Service Branch had won the contest with one of her seven entries—SCAN, which stood for "Service Center Activity News."

Over 230 suggestions were submitted.

During this first year, employees organized into various formal and informal groups. An Employees' Association was established in the fall of 1972 to provide personnel with a variety of entertaining and educational activities. The first official function of the Employees' Association was a dance on December 1, 1972. A new chapter of the union for IRS employees, the National Association of Internal Revenue Employees (NAIRE), was established at the Center. Employees elected Andrew Pehola as the first President of local NAIRE Chapter 98.

The secretaries of the Service Center also banded together to form a secretarial club known as the ANGELS, or "A Nice Group of Efficient, Loyal Secretaries." The group elected Jeanette Ruddell President and Director Kyle was



Student employees provide a boost to Memphis Service Center productivity during the summer months while gaining valuable work experience.

the guest speaker at the first luncheon meeting of this group on September 22, 1972. Years later, Ruddell explained, "I felt that we needed some communication, so we got together and formed this organization. We have a program every month that has to be job related—we can't do flower arranging. If a secretary goes to training, they have to come back and put something on for us—that way everybody benefits. It's good for them to have to come back and perform."

It was also during this first year that the Center established an in-house medical clinic. Nurse Anna DeRosa joined the Center in late 1971 and by early 1972 the six bed nursing facility was open. In addition to DeRosa, Dr. J. Don Johnson served as a part-time physician with the facility.

The Memphis Service Center began a long tradition in the summer of 1972 by participating in the President's Federal Summer Employment Program for Youth. Thirteen students from the local area worked in the Center through the summer months. Although the sponsoring organization or program would change over the years, the Memphis Service Center continued to hire high school age students under cooperative educational programs for the next 20 years. In addition to allowing the students to learn about a professional work environment, such programs brought many new and talented employees into the Center's workforce.

Providing opportunities for advancement among those already employed by the Center was an important effort in 1972. The

Training Section developed a series of after-hours self-development classes in subjects such as accounting, shorthand, business English, and human relations. Officials from the Memphis Area Vocational Technical School worked with the Center to set up these programs.

By the spring of 1972, 175 employees were attending after-hours classes and 500 more were enrolled in correspondence courses. On May 17, 1972, the first group of employees graduated from after-hours training. Forty employees received certificates from the Tennessee State Department of Education in a special ceremony by the Center's Assistant Director, Fredric Perdue. Based on this early success, in September 1972 the Center expanded after-hours training to include college credit courses sponsored by Shelby State Community College. Nearly 70 employees enrolled in the first semester of classes which included business income tax accounting, personnel administration, office management, and other subjects.

Another initiative in the early training efforts of the Center involved a coordinated effort between the IRS, the Civil Service Commission, and the Tennessee Department of Education to provide training for deaf employees at the Service Center. In November 1972, 13 deaf employees began training as data transcribers. Throughout its history, the Memphis Service Center has provided many opportunities for hearing impaired and other handicapped workers.

Before its first full year of operation was complete, employees of the Memphis Service Center began garnering awards for outstanding accomplishments. The first Special Achievement Award presented to an employee went to Pat Hess, a Supervisory Tax Examiner in the Examination Branch. Hess was rewarded for her efforts in developing training schedules and planning over 20,000 training hours between October 1971 and January 1972.

Kenneth Bonnet, a Systems Analyst on the Management Staff, was selected as one of 35 IRS employees nationwide to attend the Ninth Annual Treasury Awards Ceremony in Washington, D.C. Bonnet received an incentive award and a check for over \$500 for his suggestion which prevented nearly 25,000 individual tax returns from ending up in unpostable files.

As the first year drew to a close, employees looked back on a period

The Center's nurse, Anna DeRosa, and part-time physician Dr. J. Don Johnson, prepare equipment in their new facility.



of hectic activity and intense training with a sense of tremendous accomplishment. By the end of the year, over 2,300 employees were on the personnel roster. The Center hosted a tree lighting ceremony and sponsored a holiday display contest. The Returns Section of the Research Branch won the contest with their display depicting "Santas Around the World."

In summing up the successes of this first year, Director Kyle stated, "It worked extremely smoothly. I imagined all kinds of problems and they just didn't happen. We were able to deal with the problems that did come up because the people had a direction and they went in that direction. They were just good folks. I'd like to have that same bunch to start anything else."

As 1973 began, the Memphis Service Center prepared to implement a new computer system for processing tax returns. Known as the Integrated Data Retrieval System, or IDRS, this system was developed by the National Office and used equipment built by Control Data Corporation. The primary goal of IDRS was to improve the Service's ability to update and retrieve data to make adjustments to taxpayer accounts while at the computer in "real time" as well as to generate letters and notices to inform taxpayers of changes to their returns.

Although this new system had been tested by the Austin Service Center, Memphis began acceptance testing of its own IDRS equipment in January 1973. This massive computer hardware system combined disk drives, tape drives, central pro-

cessing units, and local and remote terminals into a system that enabled taxpayers to obtain answers about their tax accounts by calling the local IRS office. Overall, implementation of IDRS in IRS service centers represented the most significant innovation in tax processing since the inception of automated data processing and the master file in the late 1950s. The system became fully operational in 1974.

To encourage employees to become familiar and comfortable with the new equipment, IDRS terminals were placed on display in the Center in the fall of 1972. By the end of the year, 35 Memphis employees completed a training course on the new equipment and prepared for their role in training the remainder of the Center's workforce in 1973.

During its second year, the Memphis Service Center began to receive additional tax processing responsibilities. Basic processing of individual and business tax returns grew from three to six states. During the filing season, the Center processed approximately 8.8 million individual and 4 million business tax returns with even greater numbers expected the following year. Director Kyle commended employees for their dedication at the end of the filing season.

During the year, the Memphis Service Center was called upon to work on several special projects outside the realm of the normal tax processing pipeline. For example, when Hurricane Agnes struck the northeastern part of the country,

the Social Security Office in Wilkes-Barre, Pennsylvania, sustained extensive flood damage. Memphis was selected as one of five IRS service centers to compile and process social security data onto magnetic tape to prevent its loss. To complete this project, the Center recalled nearly 100 data transcribers to work for six months transcribing 7.5 million documents.

Memphis was also one of four service centers selected to serve as a "mail order house" for tax forms. Beginning in December 1972, tax practitioners from the six states served by the Center could request tax forms directly from the Center. By the end of the year, over 6,500 form orders were filled under the Tax Practitioner Distribution Program.

Another development in the forms program was the selection of Memphis as one of four centers to test a new system for distributing 1040 tax forms and directions to taxpayers. In the past, each service center mailed the forms directly to taxpayers, performing the labor intensive tasks of inserting the return envelope into the tax form package, affixing address labels, batching the forms by district, and storing them until it was time to mail them at the end of the year.

In 1973, three printers received contracts to print and mail tax forms for the Memphis, Kansas City, Philadelphia, and Fresno Service Centers. Based on the success of this effort, this program was implemented nationwide the following year.

Also in 1973, the IRS National Office gave Memphis the job of



Mailbags full of Forms 4875, used to designate \$1 of tax money for a new presidential campaign fund, arrive at the Memphis Service Center for processing in mid-1973.

compiling information from a new form which allowed taxpayers to designate one dollar of their tax refund to a presidential election campaign fund. Beginning in late July when 200 mail sacks filled with these forms arrived from the nine other service centers, Memphis began processing Form 4875 in its Receipt and Control Branch.

While these projects kept the Center busy after the rush of its first filing season had passed, plans began early to recruit and train the workforce needed for the next filing season. An intensive recruiting drive for seasonal employees began in mid-June 1973. The Center received nearly 4,300 applications in the first four weeks.

In its continuing effort to find the best qualified data transcribers, the Center implemented a new

employment screening method by allowing prospective employees to be tested at a recruiting office rather than having to make an appointment. This walk-in process offered free testing four days each week, including Saturday, at the Army Reserve Training Center in Memphis. In its first 11 days, nearly 1,000 individuals took advantage of this option.

By early September 1973, the Center selected over 1,200 new seasonal employees to attend one of 34 training sessions scheduled throughout the fall. In this 40-hour basic course conducted on direct data entry consoles, employees were graded on proficiency, speed, and quality to determine whether they would progress to advanced training and ultimately, to employment with the Service Center.

In addition to refining its basic training programs, Memphis continued to offer opportunities for individual advancement. During the summer months, the Training Branch offered a series of short "personnel enrichment" mini-courses as well as its regular offerings of academic classes.

In mid-1973, the Center launched an Administrative Intern program in which four employees were selected to complete eight months of rotational assignments to prepare them to move up within the ranks of the Administration Division. A Management Trainee Program also began this year, with the selection of five employees who would eventually assume management-level positions in the Center.

One of those five employees was Christean Outlaw, who came to the Center in 1972 to work as a GS-3 seasonal tax examiner. By the time she was selected for the Management Trainee Program, Outlaw had progressed to a GS-5 position. After completing the program, Outlaw was targeted for a GS-9 manager position in the Data Conversion Branch.

Outlaw spent the next 20 years moving up the ladder working in various positions ranging from Night Shift Representative to EEO Officer to Chief of the Space and Property Section to Assistant Chief of the Processing Division and Assistant Chief of the Compliance Division. After completing this successful career path, Outlaw moved to the National Office in 1991 where she became manager of the IRS Electronic Filing Project.

During the year, the Employee Association continued its active programs. On July 22, 1973, the Association hosted its first annual picnic, with nearly 300 employees attending. Elections for the Board of Directors were held in October with Jim Lee elected President and Tommie Smith, Vice President. All employees were automatically members of the Association and therefore were eligible to vote.

Construction changes in the Service Center resulted in 13 enclosed offices in the administrative complex for the Director and his immediate staff, Division Chiefs, and the management staff library. New triangular color-coded parking decals were issued to provide better control in the parking lots.



Prospective IRS employees are tested at the Army Reserve Training Center in Memphis.

As the year ended, the Director looked back with pride on the Center's "first big year." In a holiday message Kyle told employees, "We are among the top in production and quality, which is unheard of in a new center. It is only through your dedication and pride in accomplishing your job that things can happen." He then suggested that the slogan for the Center in 1974 should be "Let's do it right the first time."

The success of the Memphis Service Center continued into the next year as tax returns flowed into the building for processing. During its third filing season, the Center processed over 8.8 million tax returns. With over 1,400 employees from the previous year returning to work another tax season, the Center hired fewer than 1,000 new seasonal employees.

By this time, the Memphis Service Center had refined its night shift operations. The influx of millions of tax returns required around-

the-clock operations in the Data Conversion, Examination, Receipt and Control, Computer, and Research Branches. Supervised by a small nucleus of permanent employees, nearly 600 seasonals arrived for work every evening. Many employees actually preferred working the night shift. Long-time employee Janet Hayes stated, "It's quiet and totally different. You can actually do a lot more work because you don't have to get up to answer the phone."

Director Kyle again expressed his appreciation to the staff at the close of the filing season. In the May 1974 employee newsletter, Kyle thanked employees for "making this the best processing year we have yet experienced." He added that the biggest factor in the continuing success of the Center was "your individual and group dedication to getting the job done," adding a special thanks to the seasonal employees.

Many permanent employees returned the compliments. Tom



New officers for the Memphis Chapter of the National Treasury Employees Union are installed in March 1974.

Harthun recalled that Kyle “stressed togetherness, doing a quality job, and doing the best you could do. That was very evident in our early years and has carried over even today. Everyone took pride in our reputation of being the best service center and once we had attained that, everyone wanted to maintain it.”

In an interview years after he left Memphis, Kyle described his leadership style as “people-oriented, but a little bit autocratic.” Kyle was quick to attribute the early success of the Memphis Service Center to the employees, “I selected the best people I could find and they did the job— I didn’t do it.” He continued, “Another reason we were a successful center was because we set down rules and we abided by those rules. I insisted on a perfectly fastidious center.”

For a second year, the Memphis Service Center recruited new employees with the cooperation of the Civil Service Commission administering walk-in testing of

applicants at two locations— the main post office and the Army Reserve Training Center.

The continuing evolution of computer equipment brought changes nearly every year. In 1974, all 10 service centers saw their computing capabilities enlarged with the addition of a Honeywell 2050-A computer system. Prior to installation of this equipment, the Center relied on three Honeywell H-200 computer systems, each capable of processing only one job at a time. The 2050-A could process four jobs simultaneously.

Processing information returns received from banks and other financial institutions was added to the Center’s responsibilities in the mid-1970s. Through this new program, the IRS identified non-filers and discovered discrepancies through dozens of different forms containing information on interest income, mortgage interest payments, and other financial transactions. Another addition which eased the processing

of business tax returns was the Employer Identification Number, Research, and Assignment System (ERAS), eliminating many hours of manual labor used in hand numbering returns.

By 1974 Memphis installed an Uninterrupted Power System (UPS) for its computer operations. At a cost of over one million dollars, the UPS system supported the emergency power needs of the Direct Data Entry System and the Integrated Data Retrieval System as well as the Honeywell 200 and 2050A computer systems. The new UPS system was put to a test in mid-June 1974 when severe storms caused seven power interruptions. Computer operations remained unaffected.

A new automated supply system was tested at the Memphis Service Center in 1974 before its implementation nationwide the following year. Known as the Supply Transaction and Information Reporting System or STAIRS, this new system used a NCR 399 programmable accounting machine to process pre-punched data cards to improve the speed and accuracy of the supply system. The increased speed of the system was evident in the fact that the entire Service Center inventory could be accessed in 45 minutes rather than the two full days it previously took.

Ensuring a safe working environment was always an important issue in a labor-intensive, automated operation such as processing tax returns. In 1974, Memphis ranked second among the ten centers in its safety record. By July 1974, the Center reached a high point of 5.9 million accident free hours. Although a mid-

July accident halted this trend, the Center again accumulated two million safe hours by the end of the year. Just a year later, Memphis received the Annual Service Center Safety Award for having the best safety record of the ten centers. In 1975, Memphis accumulated 5.7 million safe hours.

In October 1974, Memphis welcomed a new Assistant Director when William Grabo arrived from his previous position as Assistant Director of the Detroit Data Center. A 1971 graduate of the Executive Selection and Development Program, Grabo joined the IRS in 1956 as a revenue agent in Cincinnati. Grabo followed Fred Perdue and Bobby Hughes in this position. Also this year, the Center added an Intelligence Staff to identify areas of willful noncompliance with the tax laws and to coordinate related issues with IRS district and regional offices.

Honors continued to come to the Center and its employees. Ernest R. Alferez was selected as the Handicapped Employee of the Year in 1974 for the Southeast Region of the IRS. The Credit Union received a Thrift Honor Award, an honor presented to the top 12 percent of federally-chartered credit unions. In addition, Pat Crawford of the Taxpayer Relations Branch won the title of 1974 Cotton Carnival Horse Show Queen for Memphis.

For work begun in 1974 and completed the following year, an entire unit of employees received a superior performance award. This was the first time such an honor was

bestowed on a group of Memphis employees. The 22 employees of Unit II of the Adjustment Branch of the Business Master File Section received the award from the Chief of the Taxpayer Service Division for their role in reducing the inventory of tax cases in the Branch.

In 1975, Susan Brown, a management analyst in the Facilities Management Branch, received the largest suggestion award ever paid to a Memphis employee. Brown recommended that the four-part paper used in various computer notices be reduced to two-part paper. For this suggestion, estimated to save \$35,000 annually, Brown received \$845. The suggestion program at the Center had received a boost the previous year with the establishment of a "Suggestion of the Quarter" award.

The Employee Association continued to sponsor events, including a trip to New Orleans and the second annual picnic. Sports teams provided an exciting outlet for employees and in 1974 the Center hosted its first annual invitational golf tournament at the Millington Naval Air Station with 88 participants from IRS offices. The IRS Extinguishers, a women's softball team, became the first Center athletic team to win a city league trophy in softball.

The following year, the Employee Association sponsored an arts and crafts fair which quickly became an annual tradition. From October 28-31, 1975, employees were invited to exhibit entries in a variety of different categories, ranging from food to handiwork, sewing, and art.

Years of Growth, 1976-1979



Endless carts filled with tax returns are moved from the Center onto trucks for transportation to the Federal Records Center for long-term storage.

As 1976 began, the Center launched an effort to clear out aging tax returns from previous filing seasons to make room for the influx of returns in the new filing season. In what became an annual ritual, two miles of shelves filled with tax returns in the Research Branch were boxed and shipped to the St. Louis Federal Records Center.

Space limitations meant that the Service Center could maintain tax returns for only about a year before simply running out of room. The Records Centers, operated by the National Archives and Records Administration, provided long-term storage for the returns. This huge project took three weeks to complete and involved transferring

460,000 pounds of records in 23,000 boxes loaded in 13 semi-trailer trucks to St. Louis.

The Center completed this effort just in time, as the 1976 filing season brought in a deluge of returns. Several records were set, including receiving 659,000 tax documents in one day; processing over 225,000 documents in Code and Edit on a single day; and processing 162,000 documents through the DDES system in one day. Despite this heavy workload, the processing cycle for individual returns never exceeded 11 days. The cycle represented the amount of time it took from the time a tax return arrived in the mail trucks at the Center to the completion of pipeline processing.

By this time, the Integrated Data Retrieval System had been in operation for several years and the value of faster and improved access to taxpayer accounts and information had been thoroughly documented. Daily inquiries to the IDRS system grew from 71,000 in its first year to 91,000 in 1976. Despite this increase, IDRS response time continued to improve.

Long-time Center employee Mark Dorfman recalled, "I was one of the first instructors on IDRS. I thought I had died and gone to heaven—it was such a great change to the system of processing returns. IDRS eliminated a lot of the paper and research time." The success of IDRS was also the result of continuing improvements. For example, in April 1976 a new disk drive improved response time. The CDC 3300 computer system was replaced with a newer model, the CDC 3500. The 3500 had a memory base of 262k, 80 percent larger than the previous model.

This was a year of many new programs for the Center. On August 9, 1976, Memphis began to process federal tax deposits (FTDs) using a new system. Under the old method, a taxpayer completed an FTD form and sent it along with a check for federal withholding to a commercial bank. The bank transferred the money to a federal reserve bank, sending the tax form from the bank to the Treasury Department, the Bureau of Government Financial Operations, and finally to the IRS National Computer Center (NCC). Following this, NCC sent the tapes to service centers for final processing. This entire process took at least seven weeks to complete.

The new system allowed service centers to take over the processing previously performed by federal reserve banks and the Bureau of Government Financial Operations, greatly reducing processing time. By using the service centers to process FTD forms, the IRS estimated that the 43 million FTD cards received in a year would be processed faster and more efficiently, with posting to the master file within two weeks from the initial taxpayer deposit. To handle this new responsibility, Memphis received eight new UNIVAC 1810 computers. In addition to this equipment, the Center would receive another 12 UNIVAC systems to replace aging IBM key punch equipment.

Once again, all 10 service centers became involved in assisting the Social Security Administration with a project to convert social security documents to magnetic tape. The documents included applications for social security numbers, claims, and change requests. Memphis' portion of the workload was 7.2 million documents. Beginning in early June, 200 seasonal data transcribers were recalled to work on this project. By December 17, Memphis shipped the completed work to the Baltimore Social Security Office. The Center was involved in a similar effort the following year.

The Memphis Service Center also implemented a new Audit Information Management System (AIMS) during the year, with the goal of providing inventory controls and management reports to track tax returns as they passed through various audit functions. With training

sessions for the new system held from August to September, AIMS became operational in October 1976.

Towards the end of the year the building that had appeared so large five years earlier seemed to have shrunk in size as the workload had grown. Construction began in October to convert warehouse space in Building 1 to office space in order to house part of the Receipt and Control Branch. This project was completed just prior to the 1977 filing season.

Training for the next filing season also began early in the fall of 1976. On September 13, the first of 16 scheduled training sessions for new data transcribers began. The Center had installed a telephone "hot line" for seasonal employees to obtain information on job vacancies.

During their training, data transcribers were expected to demonstrate a proficiency level of 3,500 keystrokes per hour with a 10 percent error rate. It was estimated that the average trained transcriber worked at a speed of 8,000 keystrokes per hour, some eight million keystrokes in a six-month period. Memphis was proud of the fact that during the 1976 filing season, its data transcribers led all service centers in their production rates on individual tax returns.

For the second year in a row, Memphis also led all service centers in its safety record, working nearly 6.3 million hours with only two lost time accidents. In a related area, the Center sponsored a special training session for coordinators of its Self-Protection Plan. Under this plan, about 200 employees were assigned



New employees of the Memphis Service Center listen to descriptions of what they can expect in the future at an orientation session.

to various emergency teams that would spring into action in the event of a disaster.

In 1976, in response to enactment of the Freedom of Information Act (FOIA) and the Privacy Act, Memphis established a new, full-time position for a Disclosure Officer. Jeff Foote was selected for this position which was responsible for responding to all FOIA and Privacy Act matters. The Center also selected Susan Brown as the Coordinator for the Federal Women's Program while Thelma Himmons served as Chairman of the Center's Equal Employment Opportunity (EEO) Committee. The EEO Committee's primary responsibility was to provide advice on the development and implementation of the Affirmative Action Plan. The Committee had 12 members, six from the Center's management staff and six from the

National Treasury Employees' Union (NTEU).

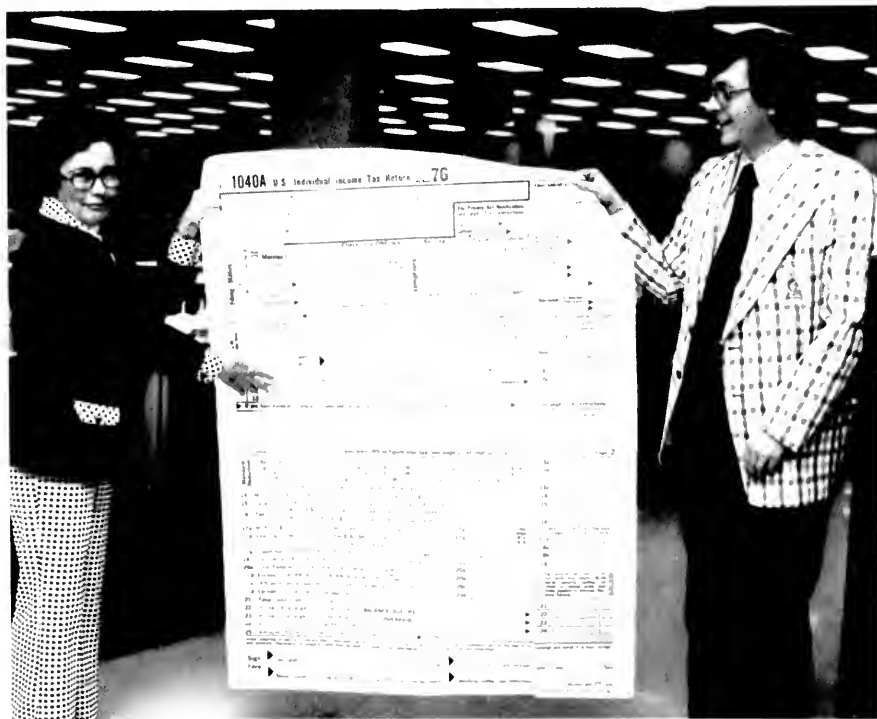
Finally, in 1976, the Center's premiere softball team, the IRS Sinners, won the Memphis City League tournament as well as the first annual IRS East/West Softball Championship held August 14, 1976, in Jackson, Tennessee. The following year, the Center sponsored a new sports event that became a traditional activity for several years. The "Super Stars Competition" challenged teams from various functional areas to compete in a variety of sports similar to a mini-Olympics. In 1977, the Processing Division won the event while the Resources Management Division came out on top the next year. The

six events included softball, basketball, volleyball, putt-putt golf, horse-shoes, and track and field events.

Employees continued to take advantage of free parking at the Center, and in May 1977 a Parking Lot Violation Review Program began to review cases of serious or frequent violations. Many personnel who worked at the Center during these years remember an employee of the Facilities Branch who did much individually to enforce parking lot rules.

"Ernie Danes was our Sergeant York," said Darrell Riffe, "He took his job seriously." As described by numerous employees, Danes watched the parking lot from the

Every year, each IRS service center receives a number of unique tax returns. Here, Sue Macklemore and Brent Hill hold up a huge 1040 received at the Memphis Service Center.



Center's roof, waiting for violators. Buddie McGlaun recalled, "He watched to see if we parked straight or if you were going a bit too fast or didn't stop for a pedestrian, then you would get a ticket." Citing the changes in parking lot procedures over the years, Dottie Walsh stated, "I think we need to go get him [Danes] back."

Although the Center offered free parking, many employees lived far from the facility. To encourage ride sharing, a chartered bus service was offered in 1978 from Raleigh-Bartlett. By the end of the year, nearly 50 riders were taking advantage of this service.

Several new programs came to the Center in 1977. The first was implemented as the year began in response to Congressional interest as well as IRS studies which indicated that efforts to identify illegal refund schemes were fragmented and not very effective. In response, the IRS developed a Questionable Refund Program under the direction of the Criminal Investigation function.

As part of this program, each service center established a Refund Scheme Detection Team (RSDT) in January 1977. In Memphis, the team included representatives from Internal Audit and Inspection, as well as revenue officers and special agents, charged with identifying and pulling suspicious returns and refund requests.

"Funny Boxes" were placed in processing areas for employees to deposit questionable returns. The initial detection of tax protestors or other challenges to the tax system was the responsibility of everyone

working in the Center. Memphis employee Dottie Walsh explained that when a data transcriber came across a return in which a taxpayer "wrote on the 1040 that they're not going to pay taxes because they don't agree [with a government policy] we put it in the funny box and let somebody that has more knowledge look at it and dig into it further."

Also in 1977, service centers initiated a Problem Resolution Program (PRP) in an effort to provide a faster and more efficient method of solving taxpayer complaints. Memphis established the PRP program within the Technical Unit of the Taxpayer Relations Branch. Initially, personnel assigned to PRP handled only cases originating in district offices, but they soon expanded to include cases originating within the Center. In 1977 alone, over 50,000 taxpayers were assisted nationwide by the PRP program.

As part of an IRS-wide effort to improve collection efforts, a Collection Branch was established in all service centers this year. The Memphis Collection Branch was located in the Examination Division and its work included dealing with Taxpayer Delinquent Accounts (TDAs), Taxpayer Delinquent Investigations (TDIs), offers in compromise, and other activities.

A position for a full-time illustrator was established in September 1977, with Juanelle Briggs hired to fill the job. "My position started out hand-lettering, hand-drawing, hand-everything... That first year I did about 60 pieces of work, including posters, nameplates, and so on, all by hand." Over the years, this posi-



Claude Kyle, first Director of the Memphis Service Center, poses with his key staff members shortly before his departure. Long-time secretary to the Director, Jeanette Ruddell, stands to Kyle's left.

tion benefitted from the revolution in personal computers. By the 1990s, Briggs was working nearly 1,000 jobs per year on a Macintosh personal computer.

Organizational changes in 1978 included the addition of a Systems Control Section to the Computer Branch to provide a control point for safeguarding computerized taxpayer information. Also, an IRS-wide reorganization of service center functions resulted in new names for several divisions and branches in Memphis. The Administration Division became the Resources Management Division; the Audit Division became the Examination Division; and the Intelligence Staff became the Criminal Investigation Staff. Finally, a Security Standards and Evaluation Branch was established in Resources Management.

Perhaps the biggest change for

the Memphis Service Center in 1978 was the departure of Director Kyle. Selected to become Assistant Regional Commissioner for Collection in the Southeast Region in Atlanta, Kyle left for his new position in November. Recalling his years at Memphis, Kyle stated, "Memphis is a great city and a great place to live. I truly enjoyed my years there."

Selected as the new Director was James D. Hallman, an IRS executive serving as Assistant Director of the Collection Division in the National Office. Hallman had previous experience at the Memphis Service Center, having served as Assistant to the Director immediately after graduating from the IRS Executive Development program in 1974. Hallman had also served as Assistant Director of the Cincinnati Service Center. His career began as a tem-

porary GS-2 clerk in the mail room of the Birmingham District. Southeast Regional Commissioner Harold A. McGuffin presided over Hallman's swearing in ceremony on November 16, 1978.

By the time Hallman arrived, the amount of tax receipts flowing through Memphis since its beginning five years earlier had more than doubled, growing from \$18 to nearly \$38 billion. Staffing had increased from 550 permanent employees to nearly 1,600 by 1978, supplemented by 2,100 seasonal workers. Finally, the number of tax returns processed by the Center also rose, from approximately 12 million in 1973 to over 15 million in 1978.

Advancements in EEO were noted during the year, with a report showing that the number of women and minorities in GS-9 through GS-12 positions had increased by nearly 20 in the past two years. Of all permanent employees, 82 percent were female while 38 percent were minorities. Of seasonal employees, 92 percent were female with 44 percent minority.

Many employees cited the arrival of Hallman as a transition to heightened awareness of EEO-related issues. Barbara Fant, who rose through the ranks to become the Center's first black and first female branch chief, recalled, "When the Center opened, all branch chiefs and up were white males—it stayed that way for many years." In 1979, Fant became Chief of the Collection Branch, continuing her progress over the year to also become the first black female division chief, which she achieved in 1986.

To assist in managing the increased workload, Memphis continued to upgrade its equipment and capabilities. In 1978, the Center tested a new concept in computer printing, using a Honeywell High Speed Nonimpact Printer, capable of printing up to 18,000 lines per minute. This equipment would replace aging technology that operated at a speed of only 950 lines per minute. Error registers, daily production reports, batch profiles, notice lists, and other documents would be processed with the new equipment. A new Document Destructor System capable of devouring nearly any type of paper, card stock, plastic, and wood at a rate of 2,000 pounds per hour also became operational at the Center during 1978.

In 1979, the National Office selected Memphis as the pilot center for a Service-wide effort to replace aging computer equipment in all service centers, known as the Equipment Replacement Program (ERP). In this role, Memphis would pilot the Service Center Replacement System, or SCRS, through the early 1980s until it became fully operational in 1985.

Although SCRS equipment would not be installed at Memphis until 1982, plans for the design and modification of space to house the new equipment began in 1979. About 9,000 square feet was needed for the new computer room, to be built adjacent to the existing computer room.

Other new equipment installed before the close of the 1970s included a Remittance Processing System

(RPS) and Automatic Mail Processing System (AMPS). The RPS allowed faster processing of checks while the AMPS eliminated much hand sorting of mail as well as automated mail opening and counting.

In 1979, the Memphis Service Center received the annual IRS Service Center Safety Award for the fourth consecutive year. The Center could now put its safety plaque on permanent display. In other awards, Andrew A. Ormsby, Jr., an IDRS lead operator in the Computer Branch, was selected as the Southeast Region's Handicapped Employee of the Year and Jeanette Ruddell was honored as the Memphis Secretary of the Year.

Ruddell recalled winning this award as a highlight of her long career with the Center. Honored at the annual Secretary's Day luncheon, Ruddell received a key to the city, a gold bracelet and a dozen roses. She remembered, "It was a surprise since the federal community doesn't usually win for the whole metropolitan area. It was hard to believe. It wasn't just for me—it was for us [the Center]."

By the late 1970s, the Memphis Service Center had established close ties with the local community and school system, recruiting large numbers of high school and college students to work during the summer months as well as in various work-study programs. For example, in 1978 the Center's recruitment coordinator visited 19 local high schools to stimulate interest in seasonal data transcriber positions and other temporary work at the Center.

The Center had also assumed responsibility for most testing of seasonal employees from the Office of Personnel Management (OPM), resulting in establishment of a new special examining unit. In 1979, for the first time the Center conducted all seasonal data transcriber testing. The Training and Development Branch opened a Learning Center, offering 29 self-study courses.

Final organizational changes before the end of the decade included creation of a Compliance Division and more name changes for existing divisions. The establishment of the Compliance Division was part of a Service-wide restructuring aimed at consolidating all compliance-related activities into a single organization, to include a quality review staff and three branches—collection, criminal investigation, examination.

The Data Conversion and Accounting Division became the Computer Services and Accounting Division, while the Taxpayer Service Division became the Tax Accounts Division. The Examination Branch in the Processing Division became the Returns Analysis Branch.

Preparing for the Future, 1980-1984



A recruitment table set up at a local shopping mall was one of many techniques used by the Service Center to attract the many new employees needed each filing season.

As the 1980s began, the Memphis Service Center found itself in the midst of an IRS effort to redistribute its tax processing workload among the ten service centers. Known as a Service Center Workload Redistribution, this effort involved shifting the geographic areas aligned with each service center to ensure that each Center was working to its full capacity and to avoid over or underloading any particular center.

Tom Harthun recalled, "At one time we probably were processing more returns than any other service center in the country. It [the redistribution] created quite a bit of

havoc but in the end it went very smoothly."

In continuing efforts to recruit qualified employees, Memphis initiated a college cooperative education program in January 1980. As part of this program, the Center signed agreements with the State Technical Institute at Memphis and Shelby State Community College to hire student trainees to work as tax examiners, computer operators, and accounting technicians. Upon completing requirements for an associate's degree, the students could be converted into permanent, full-time federal employees.

Other cooperative programs existed with these educational institutions. Employees who completed IRS data transcriber training could receive four hours of college credit in data entry from the Technical Institute. The following year, the Technical Institute offered a series of after-hours classes leading to an associate of science degree in computer accounting technology with most of the courses taught in the Service Center. Shelby State College also offered several after-hours college courses at the Center.

Among the special programs brought to Memphis in 1980 was the processing of selective service registrations. Over four million registration cards were shipped to six IRS service centers for transcription onto magnetic tapes. In support of this effort, Memphis recalled nearly 120 seasonal data transcribers to work on the registrations for ten southern states.

On July 1, 1980, the Special Examining Unit of the Personnel Branch became responsible for testing, rating, and issuing of certificates for all seasonal job applicants. The previous year, the Center assumed responsibility for data transcriber recruitment testing. This represented the first time the Center had used its own facilities for testing job applicants.

Memphis Service Center employees continued to be involved in activities beyond their basic jobs both during the work day and after hours. In March 1980, the Federal Women's Program sponsored a series of lunchtime films and talks by local physicians on breast and

other cancers as part of a cancer screening program for the Center. On August 3, the Center sponsored a Family Day, providing employees with an opportunity to show off their workplace. Tours and an informational video were offered. Later in the year, the Resources Management Division won their third Superstar competition, featuring events in softball, putt-putt golf, volleyball, ping pong, horseshoes, and track and field.

Nearly six years after he arrived at the Memphis Service Center, Assistant Director William Grabo was selected as the Assistant Regional Commissioner for Taxpayer Service in the Western Region. Grabo left the Center on June 9, 1980.

After waiting nearly a year for a new assistant director, Henry H. Philcox arrived to assume this position in April 1981. Philcox had just graduated from the Executive Selection and Development (XD) Program and had worked in the Ogden Service Center for six years, including a six-month stint as acting assistant director.

Philcox recalled, "I came in after Jim Hallman had been running the Center all by himself... He was running himself ragged." After settling in, Philcox and Hallman focused on expanding opportunities for women and other minorities. "We tried very hard to open up the opportunities and to concentrate on the development of black and minority employees. We also began to move women up through the ranks," Philcox recalled.

Hallman also stressed individual employee responsibility for doing a job right the first time. At the beginning of the 1981 filing season, Hallman told employees, "This is an opportune time to reflect on our jobs here in the Center and our impact on over 10 million taxpayers. As we process the many millions of documents we receive, we should not lose sight of the fact that there is a person behind each of these documents. What we do and what we say will impact individuals— not just pieces of paper."

The attention to doing the best possible job among Memphis employees was evident in activity in the Questionable Refund Program in 1981. In addition to evaluating the 295,000 computer selected returns for possible refund violations, alert tax examiners in the Center put nearly 20,000 returns in the "funny boxes" positioned throughout the processing areas.

As a result, Memphis employees identified over 60 different schemes involving nearly 600 returns and over one million dollars in false refunds. A tax examiner in the Math Error Section of the Input Perfection Branch set one return aside for evaluation, halting a refund of \$151,121—the largest known fraudulent refund in the history of the Questionable Refund Program at this time.

It was during the hectic filing season that activity associated with piloting the Service Center Replacement System (SCRS) began increasing at the Memphis Service Center. The SCRS implementation would replace the CDC 3500 and Honeywell H2050A computer systems with an updated and integrated Sperry-Univac system. The SCRS program was a major component of a larger IRS-wide effort known as the Equipment Replacement Program (ERP), with the overall goal of

Employees in the microfilm branch sit at old work stations to be replaced with the Microfilm Replacement System portion of the SCRS program.





A St. Louis-based helicopter was the only way to lift the new electrical distribution system to its rooftop location.

replacing aging and outmoded computer systems, some of which had been in continuous use for over 15 years. The SCRS system would use a new high-level computer language known as COBOL.

Construction for the SCRS installation began in the spring of 1981, with approximately 6,700 square feet allocated adjacent to the computer room. The Memphis Service Center was also the pilot center for another part of the Equipment Replacement Program—the Microfilm Replacement System (MRS). The MRS replaced the manual research system with a computerized system to retrieve tax data directly from

the master file at the National Computer Center.

Both the equipment and operational capabilities for SCRS and MRS would arrive at the Center in 1982. The Univac 1100-84 would be the backbone of the SCRS system, scheduled for installation in March 1982. In the meantime, Memphis hosted several training conferences on the new systems in mid-1981. The Yourdon Company, a New York consulting firm, trained 30 computer program analysts in structured programming techniques to be used in SCRS.

A major problem that arose late in 1981 involved the installation of the large electrical distribution system needed to power the new computer equipment in one of the Center's rooftop penthouses. Unfortunately, the equipment was too large to be moved up the stairs to the roof, even when disassembled. The only solution was to hoist the system to the roof by helicopter. Because no helicopter in Memphis could lift the 5,000 pounds, the Center chartered a helicopter from St. Louis for the job.

The Memphis Service Center entered 1982 ready to meet the challenges of its eleventh filing season with a strong reputation as "being the Center to beat," in the words of Assistant Director Philcox. He explained, "[Memphis] was number one on the charts when we had the old cost per thousand report." Cost per thousand was a system devised by the IRS National Office to provide statistical measurements of the performance of the ten service centers in comparison to one another.

Because the cost per thousand system was driven by production



Director James Hallman presents Kathy Littlejohn with a certificate marking her selection as the Handicapped Employee of the Year for both the Center and the Southeast Region.

statistics, it left no room for measuring the effectiveness of taxpayer service, employee relations, or other hard to quantify elements of tax administration. The result was a system that allowed service centers to fall prey to, in the words of Philcox, the "skinflint syndrome" in which directors "were expected to be able to run their organizations with little in the way of resources... The focus the entire time I was there was this notion that we should run the organization as cheaply as possible." The impact of these policies would be felt throughout the 1980s as service centers struggled to keep pace with dramatic changes in technology with limited resources.

Although taxpayers filed their returns more slowly than usual in 1982, delaying the recall of seasonal data transcribers and tax examiners, Memphis' tenth filing season progressed relatively smoothly. The Center processed 10.3 million tax returns, nearly a million more than the previous year.

During the 1982 filing season, Memphis was one of four centers participating in a test to reduce processing time on individual tax returns. Rather than sending all 1040s through the Code and Edit section, the new Service Center Analysis Transaction (SCAT) method allowed some returns to be sent directly to the Data Conversion branch after being numbered and batched.

A major initiative in 1982 was the test of an incentive pay system for data transcribers. Beginning in October, transcribers could earn additional pay based upon their performance, using quantitative and qualitative measurements. Both permanent and seasonal data transcribers who performed above a target goal would receive 50 percent of the savings they achieved.

An Incentive Pay Committee, with five representatives from management and five from the National Treasury Employees Union, monitored the test and established baseline production and error rates. After the initial testing period, incentive pay became a regular features of data transcription work in all IRS service centers on January 1, 1986.

Two Memphis Service Center employees received record suggestion awards in 1982. Betty McBroom received \$1,000 for a suggestion to modify a form letter, while Steve Compton received the highest award ever given to a Memphis employee for his suggestion of a method to computerize tax computations on CP2000s, a standard notification used in the Underreporter program.

Among other honors in 1982, Memphis employee Kathy Littlejohn was selected as the Handicapped Employee of the Year for the Southeast Region. The local chapter of the Federally Employed Women (FEW) program, known as the MIGHTY FEW, received its official charter on June 5, 1982, in a banquet at the Memphis Hilton Inn. The founders of the local chapter devised the acronym MIGHTY,



which stood for "Mighty in Growth, Heart, Talent, and Young Ideas."

Throughout the year, Memphis continued to receive, install, and began to test and operate equipment associated with the SCRS program. In September, Deputy Commissioner James Owens visited the Center to observe the progress. During his visit, Owens told employees that the choice of Memphis for piloting SCRS "was not merely by chance. It was by design and based on a good likelihood of success." By mid-year, nearly 90 new pieces of computer equipment had been installed and were undergoing acceptance testing.

By the end of 1982, additional computing capabilities had come to Memphis' management structure as well as the tax processing units. Five new micro-computer terminals in the Resources Management



A courtyard is strewn with debris in the aftermath of the tornado that hit the Memphis Service Center.

Division were tied together in a multi-user system known as "Compustar." This allowed the transfer of numerous manual tasks, such as maintaining personnel information, computing grade increases and retirement annuities, and so forth, to a computerized system.

The year closed with a message from Director Hallman to all employees that the future held exciting opportunities for those perceptive and prepared to meet them. He explained that 1983 would be a year of "... changes, but more importantly, a year you can use to enhance your skills in preparing for the changes to take place on into the 1980s."

Memphis experienced a smooth filing season and relatively calm year in 1983, as it installed new equipment and prepared for major changes that would come with the

completion of the SCRS project in a few years. The introduction of a simplified individual income tax form for single filers, the 1040EZ, was the only significant change in the processing pipeline this year.

Perhaps the biggest event of this period was a tornado that touched down on the Memphis Service Center building. Assistant Director Philcox was serving as Acting Director the day the tornado struck. He recalled, "I was on my way to work a little after 7:00 a .m. and just as I turned I saw a wall cloud. [The tornado] actually hit the back of the Center and blew a brick wall over."

Because the tornado hit early in the morning, many employees were caught in their cars or walking through the parking lot. Philcox

described his experience by explaining that the tornado "hopped up and came down right on top of the data transcription area just as I was walking through the front door. I looked down the hall towards the cafeteria and all of a sudden saw a waterfall."

Although the tornado ripped a hole in the Center's roof and scattered debris around the parking lot, the total damage was not severe. Philcox explained, "The Airport Authority patched up the roof the same day and cleaned up all the water. I think we were lucky the tornado lifted up and passed over most of the building. It could have been much worse."

After several years preparing for change, the Memphis Service Center experienced a year filled with new equipment, new personnel, and new programs in 1984. The year opened with the departure of Hallman for a new position as IRS Regional Commissioner for the Central Region in Cincinnati.

Hallman had been Director of the Memphis Service Center for nearly five years, leaving for his new position in mid-January 1984. During his tenure he saw the Center grow and refine its processing techniques, plan for and install new equipment, and maintain its reputation as a top IRS service center.

Hallman also served on the IRS task force exploring the use of incentive pay in service centers and on a national committee to implement quality circles. A former president of the Memphis Federal Executive Board, Hallman established the first Federal Employee of the Year Award to recognize outstanding federal employees in the Memphis area.

Recalling his years at Memphis, Hallman said he felt he had left a mark on the Center and its employees. "I was concerned about people. I wanted them to be smart, to be innovative, to have high standards of ethics, and to remember the mission of the Service Center," he explained. In addition to his five years as Director of the Memphis Service Center, Hallman's career with the IRS spanned 35 years. Beginning as a temporary GS-2 addressograph operator, Hallman described himself as "the first service center-type to become a regional commissioner." Looking back with pride on his IRS career, Hallman said, "I like to look back on my 35 years as being a lot of fun."

After 12 years and two directors with southern backgrounds, the Memphis Service Center experienced a dramatic shift in leadership with the arrival of its third director in January 1984. Raymond P. Keenan was a native of Brooklyn, New York, who came to Memphis after serving as Assistant Regional Commissioner for Data Processing in New York City.

A graduate of Fordham University in the Bronx, Keenan began his career as a revenue officer in New York City. Long-time secretary to Center directors, Jeanette Ruddell explained, "Everything changes with directors. Mr. Kyle was very quiet, calm, and low key but you knew he meant business. Then I got Mr. Hallman, another nice southern gentleman. Then all of a sudden I get this big, loud fellow from Brooklyn." But Ruddell quickly

emphasized, "Everything turned out fine. We nicknamed him 'Brut' and after a while we almost southern-ized him."

Keenan recalled that in addition to adjusting to a new lifestyle, his major challenge in coming to Memphis was to keep the Center in the good shape it was already in. "It wasn't a place I had to go in and really change things around... When you walk into a new job the stupidest thing to do is to make a lot of changes because it upsets people. So what you do is you come in and you try not to make a lot of changes, try to get into the flow of things, get to know the people, get to know what's going on... I have this complex theory that says if you treat people the way that you would like to be treated and try to always remember that, over the long term, you'll have a better organization."

Although he arrived in January 1984, Keenan's official swearing in ceremony was not held until March 2. There was a standing room only crowd for what was the first swearing in ceremony held in front of Service Center employees in the cafeteria.

In addition to a new director, the Center had a turnover in assistant directors in this same period. Selected to become the Assistant Regional Commissioner for Data Processing in the Southwest Region, Philcox left Memphis in January 1984. A new graduate of the IRS Executive Selection and Development Program, Theodore Tedesco, took the reigns of Assistant Director in mid-February 1984.



Southeast Regional Commissioner Thomas Cardoza introduces himself to Jerry Sammons during a visit to the Memphis Service Center. Memphis Director Ray Keenan stands to Sammons' left.

In the midst of these leadership changes, an IRS-wide service center reorganization went into effect on January 22, 1984. Shifting and realignment of many responsibilities as well as renaming of some functions were the highlights of this transition. The major changes included creation of a Quality Assurance and Management Support Division, incorporating the former Management Staff and all quality review functions; a realignment in the Tax Accounts Division which included creation of a Taxpayer Relations Branch and a Research Branch; a new Document Perfection Branch, combining the former Returns Analysis and Input Perfection Branches; moving the Data Conversion Branch to the Processing Division; renaming the Adjustments Branch the Adjustments Correspondence

Branch; and renaming the Security Standards and Evaluation Branch the Security Branch.

The Memphis Service Center also established its first full-time position for a Public Affairs Officer in 1984. Selected for this position was Jeanne Palmer, who began her career with the Center in 1979 as an estate and gift tax law trainee. Palmer later served as the Center's Problem Resolution Officer, the Federal Women's Program Manager, and legal advisor to Federally Employed Women.

A new Error Resolution System (ERS) became operational at the Memphis Center in 1984. Prior to implementation of this automated system to identify and correct errors on tax returns, errors were tracked with paper registers. In addition to reconciling some math errors on the spot, ERS generated notices to inform taxpayers that discrepancies existed between what they had reported and IRS calculations.

The integrity of Memphis Service Center employees was highlighted this year when night shift employee Ernestine Jones opened an unmarked brown envelope and discovered \$31,150 in cash. Jones immediately notified her supervisor and turned the money in.

Coping With the Service Center Replacement System



Director Keenan explains tax return processing procedures to a local news reporter during the Center's first annual media day.

By 1984, Memphis had already experienced more change than in the previous several years through personnel and organizational realignments. The pace of change continued to accelerate through the remainder of the year as the new SCRS computer system was readied for its debut in the 1985 filing season.

The target operational date for SCRS had been set for January 1985 when planning for the Equipment Replacement Program began in the late 1970s. As 1985 drew closer it became more and more imperative

to IRS executives in Washington, D.C. to meet this deadline. The drive to meet the January 1985 deadline combined with the lack of a back-up computer capability for the new system resulted in the worst filing season in recent IRS history.

The events leading to the traumatic 1985 filing season can be traced through the troubled start-up period as the Memphis Service Center struggled to make the new SCRS equipment work. Problems appeared early in 1984. After only a few months as Director, Keenan faced the challenge of an ailing com-

puter system. He recalled that in the spring of 1984, "I was getting these reports that the machine won't work... I lost patience and said to myself, 'This stuff cost a lot of money. If I went out and bought a new car and it didn't work I'd take it back. So I told the representatives from Sperry that I was running out of time and I didn't understand why a brand new machine shouldn't work.'"

As a result, the new Univac computer was removed and replaced with a different unit. Although this appeared to solve the problems, the switch to the new system in the summer of 1984 brought additional troubles to light. Keenan explained that the problems with SCRS were twofold: computer runs took longer than anticipated, resulting in severe workload backlogs and secondly, the decision to switch to a new computer language meant that all the programs had to be rewritten. Computer programmers were tied up with the rewrite of over 1,000 programs into COBOL language and were not available to update current programs.

A normal weekend run to process tax information was taking four days to complete. Keenan explained, "I was in the Center every Saturday and Sunday to see how the weekend updates were going. It was frustrating. We had also put in a new data entry system and were having trouble with that."

By late summer, word that the IRS was experiencing problems with its new computers began to leak outside the Memphis Service Center. Local news reporters con-

tacted Keenan to follow up on the story but were told that the IRS was simply piloting a new system and working the bugs out before the filing season began in January.

"We stayed out of trouble at that point," recalled Keenan. Multitudes of official visitors also came through Memphis during the year to look at the SCRS system in action. By October 1984, the Center recorded nearly 2,500 visitors, probably as many as the Center had received in its previous 12 years.

Once the system officially 'went live' in September 1984, the old CDC 3500 computer was no longer available. Over 400 million taxpayer records had been transferred to the new Univac equipment. The result was that the IRS now had no fall-back position if the new system broke down.

By early fall Keenan was providing weekly updates on SCRS status to his superiors. Despite reports of problems with the equipment, Keenan recalled that officials in the National Office responded that they were "working on 'optimizing the system', which in laymen's terms means you make them more efficient so the run time is shorter. I didn't want to contradict them, but I said I can only tell you that right now that system is not ready to go."

Another factor in the difficulties Memphis faced as it piloted SCRS through 1984 was the reduction in resources and personnel that had occurred in all IRS service centers in the years preceding the installation. Long-time employee Donna Wess recalled, "In 1984 we had the smallest workforce we had ever had. We

had taken cost per thousand to the nth degree. We were mean and lean but we had no flexibility.”

As the 1985 filing season began, the IRS was still struggling with the problems that had plagued SCRS equipment through the pilot period. But now the equipment was installed and operating in all ten service centers. Not knowing what lay ahead, the IRS entered 1985 thinking it was ready to face the deluge of tax returns.

Despite the efforts of Keenan and the Memphis Service Center to alert IRS executives to the looming difficulties, the decision had been made long before January to continue to launch the SCRS system. Wess explained, “Our Director was listening and was calling [Washington], but there had been so many decisions made previously that it couldn’t be stopped.”

Darrell Riffe, Memphis Computer Branch Chief at the time SCRS became operational, explained, “The politics behind the whole process said [that] this system will work and [that we’re] going to make it work... The problem was we never caught up. We had an inkling before we started that it wasn’t going to work and we were just struggling to stay on top of it.”

Other employees recognized the problems long before the filing season began. Donna Wess recalled, “I went to someone and said it’s like a train you can see coming down the track and you’re going to be run over by it and you keep telling people and nobody hears you.”

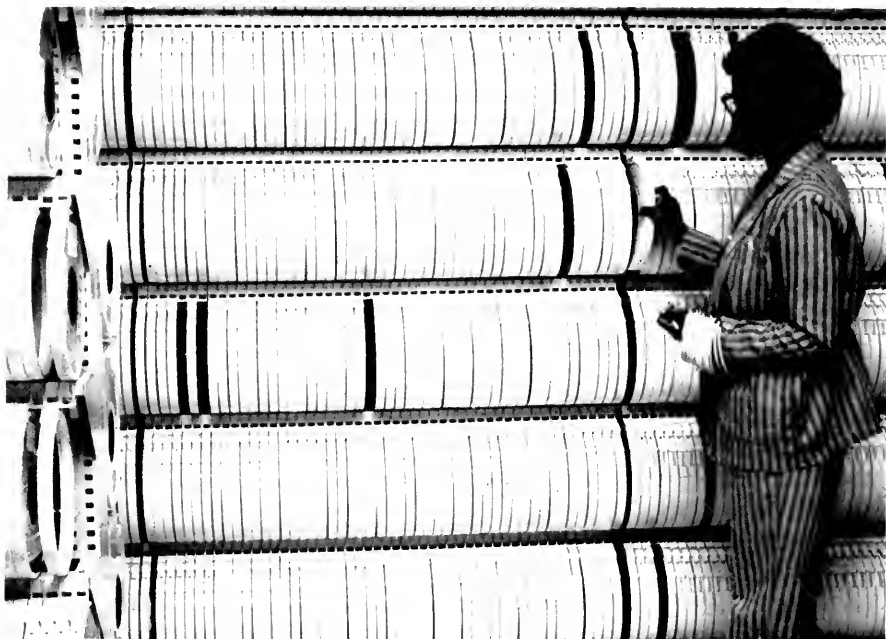
Problems mounted as returns flowed into the service centers. “We

had inventories building up; we had blocks out of balance; we had people wanting refunds; it was chaotic,” recalled Barbara Fant. In an effort to confront the problem, many Memphis employees worked around the clock. Riffe recalled, “Most everybody in the computer environment worked every day for nine months. I think we were off one or two days total in that period.”

Another employee remembered reporting to work at 6:00 p.m. and not leaving until 6:00 a.m. the following day. “We worked seven days a week as many hours as we could. The day shift would stay and work with the night shift and the night shift stayed over and worked with the day shift. It was a disaster,” recalled this data transcriber.

Despite these tremendous difficulties, the Memphis Service Center actually fared better than other centers in the 1985 filing season. Keenan explained, “In terms of the 1985 filing season, I’d say that Cincinnati managed it the best and [Memphis] was probably about second best. We struggled through it and kept our head above water.”

In reality, the problems encountered in all IRS service centers were closely related to the activation of the SCRS system, but not exclusively. Other new computer systems recently installed in service centers to transcribe data directly from tax returns onto magnetic tape and to correct error registers and rejected entries also encountered difficulties. The result was an unusually high level of inventories in many areas, not only those associated with the SCRS programs.



Technological advances allowed more and more information to be transmitted directly to the Service Center via magnetic tapes through the 1980s. Here, an employee replaces a tape in the massive computer tape storage room.

Donna Wess explained, "We had the worst filing season ever, but it was not all SCRS and that's part of the history of 1985 in all the centers that needs to be recorded. A lot of our problems were DIS or DDE-related and that fact never gets home to anyone."

In the midst of the troubled filing season, the Memphis Public Affairs Office hosted its first Media Day. Reporters from local papers as well as from papers in IRS districts serviced by Memphis toured the service center and interviewed employees. After 1985, Media Day became an annual event at the Memphis Service Center.

Because the publicity from the poor filing season was negative in most parts of the country and he wanted to get a firsthand look at the

situation, Commissioner Roscoe Egger visited Memphis on May 8, 1985. While in the Center, Egger spoke to an all employee meeting. Calling this filing season the "worst ever", Egger told employees, "It's been a very tough season. We knew that going in but I don't think we knew how tough it was going to be."

Rather than dwelling on the difficulties of 1985, Egger took advantage of the opportunity to encourage employees to continue their dedication to quality work and maintaining the reputation of the Memphis Service Center. Reminding employees that the challenges and changes of 1985 were perhaps only the beginning of many years of change, Egger said, "In the next few years you will see the work that you do in these centers change

dramatically again... Our tax system is in a state of evolution. The whole business of information technology is in a state of evolution... What we need to do is to learn to manage and learn to live with that change."

In the aftermath of the difficult 1985 filing season, IRS employees throughout the country realized that the most important result of this episode would be to learn from the experience. After numerous post mortems on the filing season, the IRS developed plans to remedy the problems and upgrade the computer capacity.

As a result, subsequent filing seasons remained calm. In the words of Director Keenan, "We haven't had a bad filing season since then."

Former Assistant Director Philcox, who later became the first Chief Information Officer for the IRS, said of his experience in working in the Memphis Service Center during the planning stages for SCRS, "I learned my lesson. The biggest thing that bothered me was that we [Service Center management] had no input into the process... and we should have. The way we have Tax Systems Modernization structured now we would never do it that way."

Despite a series of successful filing seasons in subsequent years, the residual effects of the troubled 1985 filing season haunted the IRS. Memphis employee Darrell Riffe explained, "When you change a process in a service center, it's almost like trying to reroute a river. You can reroute it, but it almost has to cut its way through."

Donna Wess added, "What is so sad is the credibility we lost as an

organization— because we're better than that. It will literally be years before we overcome that. Once we lost the image that 'the IRS always does it right', to gain that image back you've got to be more than always right. You've got to be super."

Just as the 1985 filing season drew to a close, Memphis welcomed a second assistant director to its management cadre. This was the first time in the history of IRS service centers that all centers were provided with two assistant directors. Ladd Ellis, Jr. arrived in Memphis directly from the Executive Development and Selection Program after serving as Chief of the Taxpayer Service Division in the Baltimore District.

Despite the troubles encountered in processing tax returns in 1985, other activities continued. As the year began, Memphis launched a new productivity campaign known as STARS. The name reflected the theme of the program— "Striving to Achieve and Recognize Success." The intent was to encourage employees to submit ideas to improve work on a local level. In less than four months, over 200 ideas were submitted under STARS. In contrast, the entire Southeast Region received only 342 suggestions in the previous five years.

Submissions of employee ideas to the long-standing suggestion program continued and in 1985 a Memphis employee received the largest cash award yet presented at the Center. By suggesting that a computerized notice could be used by tax examiners instead of filling out a separate form, Jeannie Richards received \$3,190.

A new mail processing system arrived in the Receipt and Control Branch late in the year. Known as the Composite Mail Processing System, or COMPS, this new equipment replaced the aging OMNISORT machine. Capable of handling outgoing and incoming mail and presorting first class mail by zip code, this new equipment was expected to save over four million dollars annually.

Also in 1985, the Center was deluged with magnetic tapes from financial organizations. A new law required financial organizations to submit information returns on payments of interest, dividends, and other transactions to more than 50 payees on magnetic media rather than paper. As a result, receipts of magnetic tapes in the service centers tripled.

A change in policy shortening the retention period for tax returns in service centers resulted in the consolidation of the Research Control and Reports Unit of the Taxpayer Relations Branch into the former files complex. The new policy required the service center to retain most basic tax returns for only eight weeks while business returns were retained for six weeks after the close of the quarter.

Memphis Service Center employees continually demonstrated their interest in community affairs through a variety of volunteer and charity activities. In 1985 the Center "adopted" Wooddale Junior High through the Memphis Adopt-A-School program. This program was designed to create links between the business community and local schools. As part of this program,

Service Center employees taught in Wooddale classrooms for one hour each week as part of "Project Business." By mid-year, over 60 Memphis Service Center employees were involved in this program. Students and teachers were invited to tour the Service Center and learn about tax processing operations.

Memphis Service Center employees continued to volunteer at the annual Memphis Food Bank drive by collecting donations which helped provide over 9,000 meals a day to the needy. In addition to donating food, over 150 Service Center employees staffed collection sites at fire stations in the Memphis area. The holiday season saw the usual outpouring of generosity from Memphis employees. The ANGELS group adopted a family, providing food, clothing, and gifts, while the Taxpayer Relations Branch Technical Unit gave over 160 gifts to nursing home residents at the Shelby County Health Care Center. The Employees Association donated more than 20 boxes of food to the Tennessee Department of Human Services.

A new organization, the Association for the Improvement of Minorities (AIM), was chartered at the Center and installed Chris Outlaw as its first president. Other established organizations continued their activities. The Federally Employed Women program sponsored aerobics classes, while the EEO Advisory Committee sponsored a Career Day in which employees could experience a mock interview and explore career options.



Memphis employees sort donations of food for the needy during an annual charity drive at the Center.

By this time visible changes in the EEO climate in the Memphis Service Center had taken hold. Director Keenan recalled that when he arrived, “None of the females had top-level jobs... There were also racial issues in the Memphis Service Center— just as there were racial issues in Memphis.”

Although women and minorities did not fill the upper ranks of Center management in numbers equal to their percentages in the total workforce, many positive changes had occurred. For example, in 1972, Brenda Palm arrived at the Center as a GS-3 tax examiner. By the late 1980s, she was a GM-14 branch chief. Palm explained her success by stating, “I didn’t mind hard work. I took chances. I applied for the manage-

ment training program three times before I was selected, but I never gave up.”

Long time employee Evelyn Eason commented, “When the Service Center opened there were no females represented [at the top] nor any other minorities. The Service has changed. Now I think it represents more of the community as a whole.”



A Return to Normalcy, 1986-1989

As the Memphis Service Center moved into the 1986 filing season, many corrections and improvements had been made in the SCRS equipment. Combined with an intensive effort to ensure that adequate controls and monitoring systems were in place to detect problems before they grew out of control, these actions helped the Center achieve one of its best filing seasons.

The establishment of a new Document Control Staff within the Management Support Branch provided a centralized point to control the flow of tax documents through the pipeline. This staff also provided a group of experts who could be consulted by groups from the IRS National Office conducting “readiness checks” of service centers.

A realignment of the workload among the ten IRS service centers took effect on January 1, 1986, requiring readjustments in the processing pipeline. In this “Service Center Workload Redistribution (SCWR)”, Memphis lost the Louisville (Kentucky) and Parkersburg (West Virginia) Districts but gained the Little Rock District (Arkansas). The net result of this realignment for Memphis was

an eight percent reduction in the number of tax returns processed.

Over 4,000 employees worked during the peak of the 1986 filing season, including over 1,100 night shift workers. For the first time, managers could use an on-line quality review system to evaluate the work of data transcribers and review mistakes on a daily basis. In prior years, this data was not available until several days after documents were processed. As the filing season drew to a close, Memphis celebrated by hosting a “Data Transcriber Recognition Week,” to honor workers who processed the thousands of tax returns that flowed into the Center from January through April.

The incentive pay program for data transcribers became official in January 1986. During the first three months of the year, Memphis transcribers received over \$44,000 in additional pay. The minimum payout to an employee under the incentive pay program was \$1, with no upper limit. Memphis employee Thelma McIlvain explained, “Some of those [employees] can hit those keyboards so fast they can make as much incentive pay as they can base pay.”

Throughout the filing season, the amount of money paid steadily increased. For example, in January, the largest amount paid to an

Data transcribers provided the backbone of the pipeline during each filing season, translating paper tax returns onto computer readable magnetic tapes prior to transfer to the National Computer Center.



Barbara Fant became the first female branch chief at the Memphis Service Center in 1979 and later moved up to become the first female division chief.

employee was \$100.16. By March, this had increased to \$494.98. The amounts were based on 50 percent of the savings produced by each employee calculated on measures of their productivity and quality. Beginning in April, an agreement between the IRS and the NTEU allowed workers to also earn a "Quality Bonus" above the normal incentive pay rate.

Shortly after the end of the filing season, Assistant Director Ted Tedesco left Memphis when he was selected as Assistant Director of the Manhattan District in New York. Memphis lost one of its original employees when Jack Greenfield left his position as Chief of the Processing Division to become Chief of the Computer Services Division in the Atlanta Service Center.

Other major personnel events of the year included the selection of Barbara Fant as the first female division chief in the 14 year history of the Center as she took charge of the Tax Accounts Division. Fant began her IRS career in 1966 as a GS-3 seasonal tax examiner in the Cincinnati Service Center and came to Memphis when the Center opened in 1971 as a GS-7 senior tax examiner. Fant also served as president of the local Federally Employed Women and Association for the Improvement of Minorities in Memphis.

This year also saw the selection of the first Memphis employee to participate in the IRS Executive Selection and Development Program. Henry O. Lamar, Jr. had come to Memphis in January 1983 as Chief of the Resources Management Division.

A new Computer Services Division was established in all service centers in 1986 in an attempt to combine all functions relating to the operation and control of computer systems. This new organization was the outgrowth of a formal study group that analyzed the computer branch. The group determined that the data processing requirements of the IRS exceeded the capabilities of the computer branch, resulting in the decision to elevate this organization to the division level. Three branches formed the new division: Operations, Support, and Office Automation.

It was also in 1986 that employees in the Adjustment Correspondence Branch received modular work stations. Beginning in

June, 165 individual work stations were installed for both business and individual master file workers. A new electronic mail cart, dubbed "Miss Quick Stop" also arrived in 1986. The cart travelled at a speed of one mile an hour through the Center, stopping at predesignated locations to deliver mail.

Another part of the annual processing of tax returns was issuing deficiency notices to inform taxpayers that the statute of limitations on their tax case or issue was approaching. Statute awareness training was part of the initial training received by employees involved in processing returns and adjusting taxpayer accounts.

In 1986, Memphis issued over 50,000 statutory notices of deficiency to taxpayers. This was in addition to the over 250,000 notices sent as part of the underreporter program to inform taxpayers of possible underreporting of income based on document matching efforts. In 1986 Memphis was selected to serve as the hub service center for the new CP-2501 notice, an initial contact letter sent to taxpayers with high dollar and other specialized underreporter cases such as allocated tip income and sales of securities.

In 1986, the Memphis Questionable Refund Detection Team (QRDT) experienced a record year, identifying over 81 fraud schemes involving revenues over \$500,000 and 286 tax returns. As a result, 36 taxpayers were placed under criminal investigation.

A major initiative that began in 1986 was the IRS-wide effort to stress quality in all aspects of the

work environment. Partially in response to the difficulties of the 1985 filing season and partially in response to changes in the American business environment, the IRS quality program sprang forth this year as a major nationwide initiative.

By September 1986, Memphis created its own Quality Council composed of the director, assistant director, division chiefs, the problem resolution officer, the management support branch chief, and the quality assurance branch chief. Three quality improvement teams (QIP) were created. By the spring of 1987 11 QIP teams were in operation. The QIP teams followed a quality improvement process based on principles set forth by Dr. Joseph Juran, an internationally recognized quality expert.

In addition to quality improvement efforts, the IRS also tapped into another area receiving increased attention across the nation. A new program designed to encourage employees to take an active part in their health, known as the Health Improvement Program (HIP), began at the Memphis Service Center in 1986. Originally, a part-time position was established to manage and direct this program, but its initial success resulted in the position being elevated to full-time.

The Center also continued and expanded its involvement with Wooddale Junior High School. Various activities during the year included computer demonstrations, judging the annual spelling bee, sponsoring a volleyball tournament, and chaperoning field trips.

Memphis employees continued to reach out into the local community, assisting again with the Food Bank drive, donating food and gifts to the Shelby County Health Care Center, and other charitable activities. For the second year, employees participated in Memphis in May festivities, with three running teams representing the Center in corporate races.

The combination of learning from the trauma of the 1985 filing season, the implementation of the quality program, and the move-away from the "cost per thousand" measurement system were all factors in ensuring the success

Loretta Beasley leads a procession of managers in front of an audience of appreciative employees during festivities celebrating the end of a successful filing season.

of the 1987 and subsequent filing seasons.

In December 1986, IRS Commissioner Lawrence Gibbs visited Memphis as part of a series of "processing readiness review" visits to all service centers. During his visit, Gibbs expressed his admiration for Memphis by stating, "I've saved the best for last... The 1985 season taught us that the service centers are the heart, body, and soul of the IRS."

During the 1987 season, Memphis received and processed approximately 10.7 million individual tax returns and 8.3 million refunds. About 2.5 million returns arrived at the Center in the days after April 15 as taxpayers delayed filing until the last minute. This deluge of returns prompted Director Keenan to praise



Memphis employees, "Receiving a quarter of the returns in one week presents quite a challenge, but you rose to the occasion."

As the IRS adjusted to a series of successful filing seasons, the quality process began to be institutionalized on a nationwide basis. On October 14, 1987, the IRS and the National Treasury Employees Union (NTEU) agreed to an overall framework for a national "Joint Quality Process," through the signing of an agreement on how to organize the effort.

The agreement allowed for the establishment of Joint Quality Councils in every district and service center. In response to this agreement, the Memphis Quality Council was expanded to include two representatives from local NTEU

Chapter 98. By the next year, 26 QIP teams were functioning at the Memphis Service Center.

An innovative cooperative agreement began in 1987 between the Center and the GMI Engineering and Management Institute in Flint, Michigan, by offering a scholarship program to high school graduates. Scholarship recipients would pursue a degree in information systems management and gain practical work experience by working in the service center while not in school.

By late spring 1987, Thomas Buss, a senior from a local Memphis high school, was selected as the first participant. While pursuing his degree, Buss would alternate 12 weeks of school with 12 weeks at the Memphis Service Center over a five-year period. After graduating, he would be employed full-time by the Center. In 1988, Arias Williams was selected as the second scholarship recipient.

The Memphis Service Center rounded out 1987 with the selection of Michael Spence, a tax examiner, as the Southeast Region's Handicapped Employee of the Year. The Center garnered this award again the following year as mail and file clerk Billy Roberts was selected to represent the Southeast Region.

Finally in mid-August 1987, the Center sponsored its annual Family Day. With over 5,000 employees, family members, and friends observing 15 years of success for the Memphis Service Center, this event marked the first time the computer room was opened to all visitors. The Center also celebrat-





A running team representing the Memphis Service Center stands in front of the status board for the Memphis in May celebration River Races.

ed the 125th anniversary of the establishment of the Bureau of Internal Revenue.

Although the Memphis Service Center and the IRS as a whole had experienced several successful filing seasons since the rough year of 1985, a number of significant tax law changes in the late 1980s left their impact on tax processing. In 1988, the major challenge facing the Center was the implementation of processing changes resulting from the Tax Reform Act of 1986, one of the most sweeping tax law changes in over 30 years. The passage of the Technical and Miscellaneous Revenue Act of 1988 included a provision for a "Taxpayer's Bill of Rights," which required new technical training for IRS employees.

Despite these changes, the Memphis Service Center once again successfully met the challenge of processing over 17.8 million tax returns in 1988. The largest volume of mail received on a single day occurred on April 18 when 2,820,890 pieces arrived at the Center. At the peak of the filing season, over 4,200 employees worked at the Center.

In a related area, the Memphis Service Center provided 120 volunteer income tax preparers under the Volunteer Income Tax Assistance (VITA) Program to help at 20 locations around the city. During the 1988 filing season, these volunteers assisted over 5,500 taxpayers, a 45 percent increase over the previous year. The dramatic increase in the demand for tax assistance resulted from the tax law changes from the 1986 Tax Reform Act.

Toward the end of the filing season, Director Keenan suggested that rather than recalling the trauma of 1985, the Center could now proudly state, "We were great in '88!" He went on to tell employees that this success was "because of the determination, commitment, and spirit of each employee at the Memphis Service Center. What an example of a quality team!"

During the year, Assistant Director Ladd Ellis left Memphis to become the Assistant Director of the Chicago District. Replacing Ellis was John Ressler, a new graduate of the Executive Development Program. Ressler arrived in October 1988, after 19 years with the IRS, beginning as a revenue officer in San Francisco in 1969. Ressler had also served as Chief of the Processing

Division for the Cincinnati Service Center and Chief of the Tax Accounts and Underreporter Branch in the IRS National Office before being selected for executive training.

Although implementation of SCRS through the early 1980s had replaced many of the computer systems used in service centers around the country, the completion of this program did not signal the end of computer changes. The Communications Replacement System (CRS) was underway at Memphis in 1988 to replace the Sperry 90/40 front-end processor with IBM 4381 equipment. The front-end processor served as a

“traffic cop” for the overall processing computer systems, controlling inquiries between IDRS terminals and the Sperry 1100 mainframe computer.

A major challenge faced Memphis as it began the 1989 filing season. Once again, the IRS realigned the workload among the ten centers, effective January 1, 1989. Making this redistribution more complicated was the fact that Memphis both lost and gained districts as the IRS shifted the geographic alignment of tax return processing.

The Birmingham (Alabama) and the Jackson (Mississippi) Districts were transferred to Memphis from the Atlanta Service Center while the

The annual ritual of filing paper tax returns continued through the 1980s as a Memphis employee is surrounded by mountains of mail in carts, bags, and boxes.



New Orleans (Louisiana) District came to Memphis from the Austin Service Center. At the same time, Memphis lost the Indianapolis (Indiana) District to the Cincinnati Service Center and the Richmond (Virginia) District to the Philadelphia Service Center.

The difficulty of implementing a Service Center Workload Redistribution such as this was expressed by long-term employee Gloria Lanoux who said, "We lost some districts but had to continue to serve those customers until their problems were resolved. At the same time, we were gaining districts and getting new customers and trying to integrate them. We were dealing with three different regions and three different Federal Records Centers." The efforts of the Center to plan ahead for this transition ensured that Memphis successfully implemented the workload redistribution in 1989.

During the filing season, Memphis processed approximately 17.5 million returns with over 4,200 employees at the height of the season. Tax examiners were provided telephone headsets for the first time this year, enabling them to speak with taxpayers while retaining access to their keyboard. The last of the keypunch machines left Memphis this year. Although all major tax processing had been moved to higher level computer systems years earlier, seven Univac keypunch machines had remained in the Data Conversion Branch to handle programs such as time sheet error registers and performance rating adjustments.

This year saw the successful implementation of another pilot program at the Memphis Service Center. The Penalty and Interest Notice Explanation (PINEX) program provided optional screen displays on IDRS terminals with calculations of penalty and interest accruals. Beginning in July 1989, PINEX was available in the Adjustment Correspondence Branch for use by tax examiners responding to taxpayer inquiries.

The development of an IRS Employee Plan Master file (EPMF) to provide information on employee plans and benefit programs involved Memphis for the first time in 1989. Previously, all employee plan returns were filed with seven service centers, not including Memphis. In mid-1989, the number of service centers involved in processing these returns was reduced to four, including Memphis, Brookhaven, Atlanta, and Andover. The EPMF section in Memphis handled all normal pipeline functions except receipt and control and data conversion. Beginning July 3, 1989, the mini-pipeline at Memphis began processing the 36 percent of all employee plan returns expected to be filed there.

Memphis also began to pilot another new program, known as On-Line Entity (OLE) in 1989. In October, Memphis IDRS terminals were connected directly with the Martinsburg Computing Center to access entity information, to include taxpayer's name, address, filing status, prior name, etc. The goal of OLE was to prevent entity unpostables. For example, if a taxpayer's

name didn't agree with information on the master file, the return became unpostable. OLE validated the taxpayer information in the service center so it could be corrected before being sent forward to the Martinsburg Computing Center.

Memphis employee Bob Holton expressed his pleasure at working with the new OLE system, "If a taxpayer called up and said he didn't get his refund before, you had to request a printout through [MCC]. With OLE you can go right to the terminal, enter that person's social security number and the data comes right up on the screen."

In 1989, the Questionable Refund Detection Team (QRDT) in Memphis was composed of only 10 employees yet this small group was responsible for saving the IRS millions of dollars each year. This year the IRS National Office credited the Memphis QRDT with detecting the first return in a nationwide tax protester scheme involving six service centers and 22 district offices.

In 1989, the 10-member QRDT reviewed over 300,000 returns showing potential for questionable refund claims. The vast majority of these returns were computer-selected, but about 5,000 came from the "funny boxes" placed around the Center where tax processors placed suspicious returns discovered during routine processing. In 1989, the Memphis QRDT discovered 81 different refund schemes involving 479 returns with over \$11 million claimed in refunds. Of this total, \$10,941,161 was detected in time to halt the refunds from being issued.

Not all business at Memphis was

totally smooth sailing in 1989. The Center was dealt a blow of bad publicity that began when a Memphis employee contacted Tennessee Senator Albert Gore's office to complain that her concerns about unclaimed refunds were falling on deaf ears at the Center.

The complaint centered around the employee's contention that the IRS had not informed taxpayers who failed to claim proper withholding deductions of refunds they were due. This situation largely affected 1985 and 1986 taxpayers who took lump-sum payments on retirement and were unaware that taxes had already been withheld. Director Keenan recalled, "I was out of town for the Filing Season Readiness Group when someone from Senator Gore's office called and said one of my employees had been to see them." After this, Senator Gore visited Memphis and held a press conference outside the Center.

Although it was later discovered that Memphis, along with all IRS centers, was following established policy in the processing of returns, some changes were made in the procedures by which taxpayers who had overpaid their taxes could be made aware of this fact. In the end, Keenan expressed his feeling that "the publicity on [this incident] was never that bad locally."

Shortly after this incident, Keenan was selected to become the Assistant Commissioner for Collection in the IRS National Office. Leaving on June 16, 1989, Keenan concluded over five years as director of the Memphis Service Center. Long-time employee Tom

Harthun described Keenan's impact by stating, "He was very innovative in the things he did. I probably saw more changes while he was here than anyone else... he was very visible."

Selected as the new Director was Richard Marsh, coming from his position as Assistant Director of the Brookhaven Service Center. Marsh began his IRS career in the early days of the Atlanta Service Center in 1965. Over the years, Marsh also worked in the Ogden and Fresno Service Centers. Installation ceremonies were held on July 26, 1989, with Michael Dolan, the new Southeast Regional Commissioner, officiating the event. Shortly after his arrival, Marsh told employees, "At all levels and in all work relationships we much treat each other with dignity and respect, maintaining integrity and open communication."

A Future of Change, the 1990s and Beyond



Boxes and boxes of cookies baked by employees of the Memphis Service Center were shipped to U.S. servicemen serving in the Persian Gulf during Operation Desert Storm in early 1991.

The Memphis Service Center began the 1990s with another successful filing season, processing over 17.7 million tax returns. Employment at the Center peaked in late February with a staff of 4,447, including 2,128 permanent employees and 2,404 seasonals. For the first time this year, Memphis appointed a permanent Director of Night Operations to supervise the night shift on a regular basis. Graftie Norman assumed this new position in January.

The major new program added to the Center's agenda in 1990 was the Automated Underreporter sys-

tem. Prior to implementation of this automated program to identify cases of taxpayer underreporting of income, returns were filed on carts in random order, making it nearly impossible to pinpoint the location of any particular return between the request for a case to be opened and a notice to the taxpayer generated.

In July 1990, the Automated Underreporter system was implemented nationwide, allowing cases selected for investigation to be assembled in social security number order accompanied by a computer-generated listing of all the cases filed on a particular cart.

The major issue facing the Center in the 1990s would be the construction of a new building. As new programs and additional responsibilities moved into the Center through the previous 20 years, the facility that had appeared so large to employees in 1972 grew smaller and smaller as more people and equipment filled up the space.

Several forces other than the growth of programs and responsibilities of the Memphis Service Center were driving the effort to secure congressional funding and find a suitable location for a new facility. The 20-year lease with the Memphis Airport Authority signed by the General Services Administration in 1972 would expire in 1992. This factor was complemented by the growth and success of the headquarters operation for Federal Express in Memphis and their corresponding need for additional facilities near the Memphis Airport.

The Memphis Service Center occupied about 50 of 120 acres of available airport land. When it leased this land to the government in the early 1970s, the Memphis Airport Authority had marketed this part of its grounds for industrial use to boost airport revenues and to help keep airport operational costs low as a way to attract airlines to the city. Following 20 years of rapid and successful growth, the Airport Authority was ready to convert the IRS-occupied property back to aviation use when the lease expired.

The project to construct a replacement facility for the Memphis Service Center took hold in 1987

after IRS officials requested authority to construct additional space in the current facility. The Memphis Airport Authority responded with an offer to buy out the two five-year renewal options in the lease, build a new facility in another location, and lease it back to the federal government.

Lengthy negotiations between the IRS, GSA, the Memphis Airport Authority, and local legislators resulted in the authorization for GSA to acquire a new 600,000 square foot facility for the Service Center in September 1988. The bill authorized \$36 million for the project. Unfortunately, the authorization contained size and dollar limitations that precluded the construction of a facility large enough to meet either the current or projected needs of the Center.

In the meantime, the need for additional space for Service Center operations did not abate. The first function to move outside the Service Center building was the warehouse which moved off-site in September 1988. The Accounting Branch and Automated Systems Branch later moved into this area.

After this move, the Service Center requested off-site space for other functions. Budgetary concerns forced the Center to scale back its request so that only one branch would actually move. In December 1990, the 250 Examination employees moved into new offices in the Mendenhall Business Park. In the midst of these moves to accommodate the immediate and pressing need for more space, negotiations for a new facility continued unabated.

ed. Although original plans in 1988 anticipated a new facility might be possible by 1991, very soon this goal appeared unrealistic.

A memorandum from the IRS Southeast Region to GSA in July 1989 sparked heated debate over the timing and location of the new facility. In response to an IRS suggestion that the construction project be delayed until the mid-1990s, local Memphis politicians charged the IRS with backing away from its intent to relocate.

In addition to increased interest shown by Federal Express in the IRS facility, local leaders began to suggest various new sites in the hopes of boosting economic growth and providing jobs in areas of Memphis. In response to the heightened interest in the new service center, IRS Commissioner Fred Goldberg reassured local politicians at the end of July 1989 that the IRS intended to build a new facility as well as pursue increased funding.

In 1989, the IRS requested that Congress boost its authorization for the new facility to include 900,000 square feet and funding of \$78 million. In early 1990 Congress agreed, authorizing GSA to proceed with the project. Once this authority was received, the issue of where to locate the new Service Center became the dominant issue. In mid-February 1989, six prominent businessmen wrote to IRS Commissioner Goldberg advocating selection of a site in downtown Memphis, listing 21 advantages to this location. Center Director Marsh responded to this and other letters by stating that the building design

was still in the planning stages and no decision had been made on site selection.

Initially, as it considered potential locations for the new Center, the IRS limited its range to within a three- to five-mile radius of the present location. Strong local interest in promoting a variety of sites outside this geographic limit prompted the IRS to expand its area of consideration to include all of Shelby County by March 1990.

The services of a marketing research firm were enlisted to conduct a demographic study of the county and recommend the best potential areas for relocating the Center. Factors identified by the IRS as critical in the selection process included retaining employees, recruiting new employees, the availability of local services and amenities, and cost and size characteristics.

Local pressure to select certain sites heated up through 1990 with some areas sponsoring local events to entice the IRS to consider their location. For example, residents of Frayser, an area north of Memphis, sponsored a "Frayser FIRST Festival" in October 1990. The "FIRST" stood for "For IRS Team" and represented the residents' effort to boost the economic development of their area by having the IRS Center relocate there.

A major step forward occurred on December 8, 1990, when Federal Express agreed to buy the lease for the current IRS facility from the Memphis Airport Authority, paving the way for GSA to release site criteria on December 28. The criteria specified that the location had to be

near major highways, accessible by public transportation, have a minimum of 100 contiguous acres, and a generally rectangular shape.

By February 1991, 20 sites were vying for serious consideration and had submitted proposals to the GSA. By June, the list was narrowed to five finalists through evaluations conducted by the GSA and the IRS. Finally, on July 23, 1991, the IRS revealed their decision at a meeting of the Memphis Airport Authority. The 130-acre site was located on vacant farmland five miles southeast of the current Center. Director Marsh explained that this area was selected on cost factors, physical qualities, and the fact that it would have little impact on current employees. With construction to start by late 1992, the Center hoped to be able to move into its new facility by 1994.

In addition to being concerned that the new facility be relatively close to their present site, Memphis employees felt that the construction project offered an opportunity to recapture some of the original goals of the Center in 1972. Paul Sandell stated, "When this Center was built we were prototypical...one of the premises was that we would be providing the work force an attractive environment in which to do their job. Over the years we've made decisions not to expand space. We have cramped people in and that attractive environment concept has really disappeared.

"We have consciously made decisions for a number of years to avoid going to off-site locations. We were

the only Center that, until recently, didn't have a bunch of off-site locations. We're trying to put that concept back into the design of the new building to give people reasonable space and an attractive environment in which to work."

As Chief Information Officer for the IRS in 1991, former Memphis Assistant Director Henry Philcox was closely involved with the design of the new facility. Philcox explained that in order to deal with the uncertainty surrounding the future of tax processing as the Tax Systems Modernization program developed, the new Center would be "designed to be in pods—a campus-like environment." This modular design would allow the IRS to be flexible in the way it used various parts of the facility as the needs of the tax processing system evolved.

For many years, the Memphis Service Center was known for the large number of its employees who gave freely of their time in volunteer work in the community. The Center received recognition for its contributions in this area at the annual Volunteer Recognition Luncheon sponsored by the city of Memphis in April 1990.

A unique opportunity for Memphis Service Center employees to demonstrate their sharing attitude came with the military efforts to free Kuwait from Iraqi control from August 1990 through March 1991. Operations Desert Shield and Desert Storm riveted the attention of Memphis employees as it did Americans around the country. In November 1990, a request was made of all Center employees to bake

cookies to be delivered to service men and women serving in the Persian Gulf. In response, thousands of tins and boxes of cookies and other foods were sent to the troops in late 1990 and early 1991 under "Operation Cookie Drop." Elaine Blalock, an employee in the Examination Branch, baked 37 dozen cookies.

Other volunteer activities consumed the off-work hours of many employees, including participating in the annual Food for Families Drive, working with Youth Services, Inc. to offer young people opportunities for employment and training, working with the Memphis Child Abuse Prevention Center, and holiday donations to families and needy children.

As 1991 opened, Assistant Director John Ressler received word that he had been selected to become Assistant Regional Commissioner for Data Processing in the Southeast Region. Shortly after Ressler's departure, John Stocker became the new Assistant Director. Coming from his position as Assistant Director of the Detroit Computing Center, Stocker had been an IRS employee since 1971 when he joined the staff of the new Fresno Service Center.

As the Memphis Service Center approached its twentieth anniversary, it faced major changes in the way tax returns were processed. Most of these were IRS-wide changes that would eventually affect all service centers as well as all taxpayers. The refinement of plans for a complete upgrade of IRS tax processing systems, under the overall

title of Tax Systems Modernization, was taking shape as the 1990s began. With congressional support and budgetary commitments, the IRS hoped that a modernized system of tax processing would be in place by the beginning of the twenty-first century.

Although Tax Systems Modernization envisioned vast changes in the manner in which tax returns were processed, from electronic filing of returns to acceptance of credit cards for payment of taxes, there was no indication that the need for the service center-type of processing organization would be superseded by different organizations. To facilitate the early changes brought by the Tax Systems Modernization Program, the Memphis Service Center designated JoAnne Cobb to serve as the project manager for coordinating changes at the Center level.

Paul Sandell commented, "I think you will see that the IRS will always have some sort of centralized processing operation, but it has to be different from the way we're doing today." Darrell Riffe added that he felt the future of service centers was a "gaining situation, including centralized master files, scanning tax returns versus punching them in. I think it will be a paperless system—but I certainly don't see the demise of the service center."

Over more than two decades, the Memphis Service Center experienced innumerable changes in tax processing methods and programs, witnessed the rise of women and minorities from the lowest ranks to positions of importance in the Center, and saw tremendous growth

in the personnel resources of the Center. Throughout these years, Memphis retained its reputation as an organization dedicated to producing high quality work in a timely and efficient manner.

Claude Kyle summed up the primary reason for these good years by stating, "The key to Memphis' success was the people. We had to have good people, and we did have good people."

Appendix: Directors of the Memphis Service Center



Claude Kyle
July 1970-November 1978



James Hallman
November 1978-January 1984



Raymond P. Keenan
March 1984-June 1989



Richard Marsh
July 1989-

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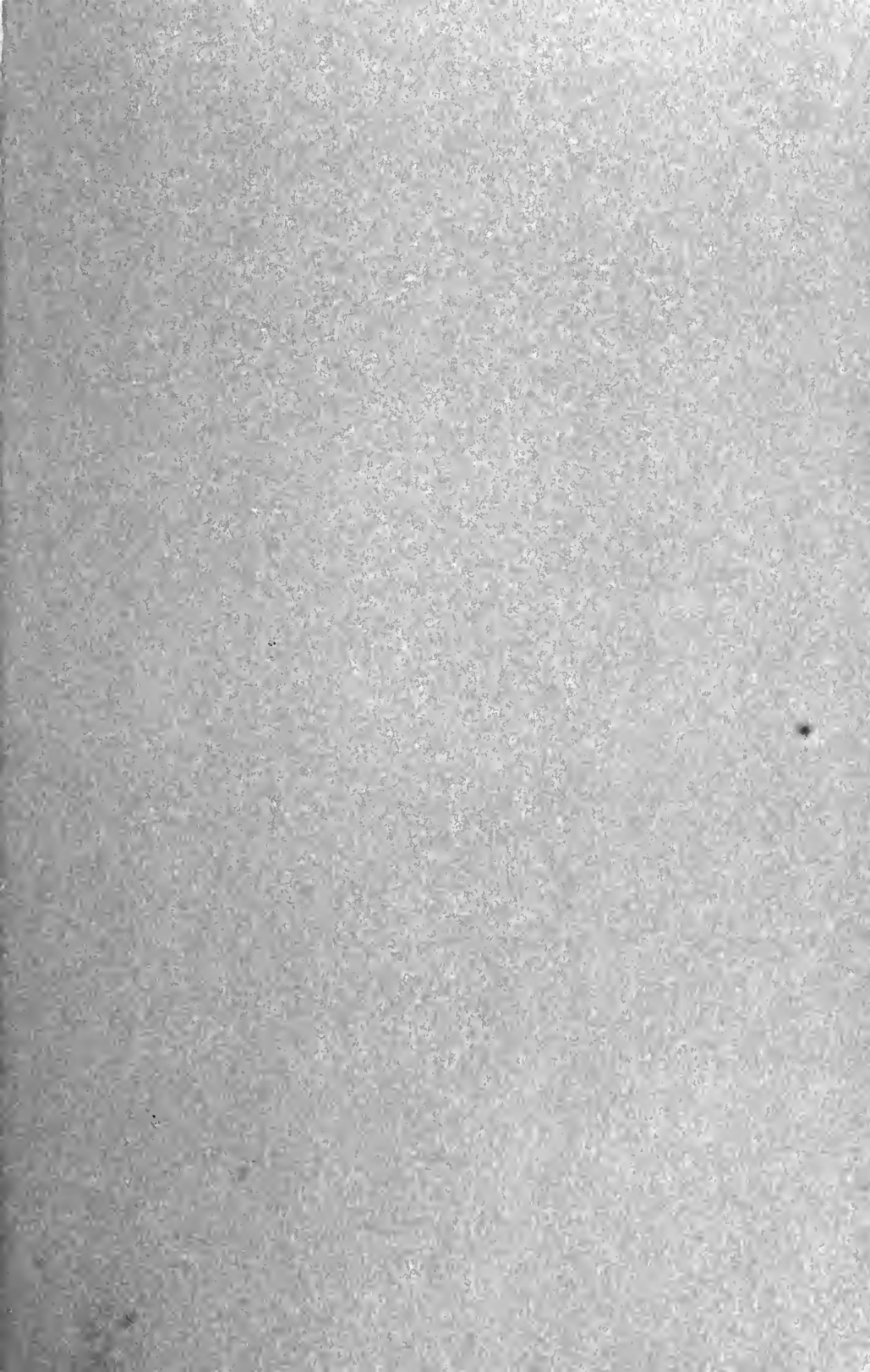
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